

CITY OF FARMERS BRANCH, TEXAS

# Comprehensive Annual Financial Report



For the Year Ended September 30, 2012

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City of Farmers Branch, Texas  
Comprehensive Annual Financial Report

For the Year Ended September 30, 2012

City Council:

William P. Glancy  
David Koch  
Tim Scott  
Harold Froehlich  
Jeff Fuller  
Ben Robinson

Mayor  
Mayor Pro Tem, Place 4  
Deputy Mayor Pro Tem, Place 1  
Place 2  
Place 3  
Place 5

City Manager

Gary D. Greer

Prepared by

Finance Department  
Charles S. Cox, Director

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CITY OF FARMERS BRANCH, TEXAS

Comprehensive Annual Financial Report  
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(concluded)



City of Farmers Branch  
13000 William Dodson Parkway  
Farmers Branch, Texas 75234

January 15, 2013

Honorable Mayor and City Council  
City of Farmers Branch  
Farmers Branch, Texas

We are pleased to submit the Comprehensive Annual Financial Report (CAFR) of the City of Farmers Branch, Texas for the year ended September 30, 2012. The purpose of the report is to provide the Council, management, staff, the public and other interested parties with detailed information reflecting the City's financial condition.

## **THE REPORT**

The Texas Local Government Code (§103.001) requires annual audits of municipalities and the City Charter (Sec. 2-18) requires an annual audit of the books of account, financial records, and other evidence of transactions by a certified public accountant within 120 days of the end of the fiscal year. These requirements have been fulfilled and the independent auditors' report is included with this report for the fiscal year ended September 30, 2012.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Grant Thornton L.L.P. has issued an unqualified opinion on the City of Farmers Branch financial statements for the year ended September 30, 2012. The independent auditors' report is located at the front of the financial section of this report.

Management's Discussion and Analysis (MD&A) immediately follows the independent auditors' report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter and should be read in conjunction with it.

## **PROFILE OF THE GOVERNMENT**

The City of Farmers Branch (City) covers approximately 12.1 square miles and is conveniently located on Dallas' northern border. It lies in the heart of an 11-county area that has emerged as a premier commercial, financial, and trading center. Two major interstate highways (IH-35 and IH-635), the Dallas North Tollway and the President George Bush Turnpike, border the City. The Dallas/Fort Worth International Airport and the Dallas Love Field Airport are only minutes from

Farmers Branch. These factors all contribute to the favorable business climate existing within the City.

The City of Farmers Branch was incorporated in 1946 under the general laws of the State of Texas. The City operates under a Council-Manager form of government. Policy-making and legislative authority are vested in a governing council (Council) consisting of the Mayor and five other members, all elected on a non-partisan basis. The term of office is three years, with the terms of two members expiring every year. Term limits allow two terms for at-large members and an additional two terms for an at-large member who becomes Mayor. The City Manager is the chief executive officer for the City.

Although the residential population has recently been estimated at 28,620, Farmers Branch serves a daytime population of approximately 91,900. The City provides a full range of municipal services including police, fire, emergency ambulance, sanitation, library, construction and maintenance of streets and municipal utilities, parks and recreation, water and sewer, planning and zoning, economic development, and general administrative functions. The City of Farmers Branch also is financially accountable for Tax Increment Financing Districts No. 1 and No. 2, and the Farmers Branch Local Government Corporation, which are included as blended component units and the North Dallas County Water Supply Corporation, which is included as a joint venture. Additional information on these four entities can be found in the notes to the financial statements (See Note 1.A).

The Council enacts the budget through passage of an ordinance prior to the start of each fiscal year. This budget serves as the foundation for the City of Farmers Branch's financial planning and control. Annual budgets are prepared for all governmental funds including the general fund, debt service fund, and special revenue funds. Capital projects funds are budgeted over the life of the project. The City Manager is authorized to transfer resources within each department. Council approval is necessary for all other transfers (See Note 1.D).

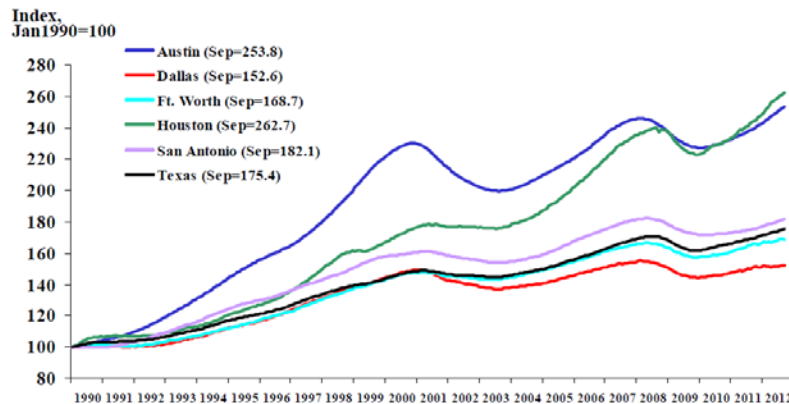
## **LOCAL ECONOMY**

According to the Federal Reserve Bank of Dallas' October 2012 Regional Economic Update, "Job growth strengthened to a 3.1 percent annual rate in September, and the unemployment rate ticked down to 6.8 percent from 7.1 in August. Construction and housing indicators suggest that real estate activity remained strong in September. The energy sector continues to be robust despite recent declines in the rig count, and exports ticked up in August. Political and fiscal uncertainties persist and pose the most significant challenges to stronger growth in the fourth quarter."





## Texas Major Metro Area Business-Cycle Indexes



Source: FRB Dallas

<http://www.dallasfed.org>

The City's broadly diversified economic base supports home furnishings, financial, high-tech, insurance, and telecommunications industries, and includes many of the nation's foremost businesses. Approximately seventy-seven percent (77%) of the City's tax base comes from the business community.

In fiscal year 2012, total general fund revenues of \$42.6 million represented a decrease of 1.9% from the prior year. Property tax revenues decreased by 4.9% due to lower property valuations. However, sales and use taxes were up 6.4% showing improvement from area businesses. Franchise taxes were up 9.6% while other categories of revenue were relatively unchanged from the prior year.

The fiscal year 2013 budget was developed projecting a slight decrease in revenue. To offset the lack in revenue growth, the City has reduced operating expenditures by 2.6%. Water consumption decreased 4.7% during fiscal year 2012 when compared with the record hot and dry weather conditions of 2011. The fiscal year 2013 water and sewer sales budget assumes an 8.5% increase due to a 3% increase in water and sewer rates and in anticipation of higher customer consumption as compared to fiscal year 2012.

### LONG-TERM FINANCIAL PLANNING

Users of this document as well as others interested in the programs and services offered by the City of Farmers Branch are encouraged to read the City's 2012-2013 Fiscal Year Budget. The document details the City's long-term goals and financial policies, describes program accomplishments and initiatives, and outlines the City's capital improvement program. The City's budget also includes long-term financial plans for the general fund that forecasts revenues and expenditures over a five-year horizon. The document can be obtained from the City of Farmers Branch finance department by calling (972) 247-3131. The budget can also be accessed through the City's web site at [www.farmersbranch.info](http://www.farmersbranch.info) and selecting the Finance department using the web site's "department quicklink."

## **RELEVANT FINANCIAL POLICIES**

The City's fund balance/operating position concept continues to be an important factor in policy decisions. The concept notes that the City will strive to maintain a general fund unassigned fund balance to be used for unanticipated emergencies with a low end of 15% and a high end of 20% of the actual general fund expenditures plus other financing sources and uses. These monies will be used to avoid cash flow interruptions, generate interest income, reduce the need for short-term borrowing, and assist in maintaining an investment-grade rating.

The City of Farmers Branch invests funds prudently and has adopted an investment policy, which is reviewed annually by the City Council as prescribed by State law. Staff provides a quarterly report of investments for Council review. The City's investment practice is to buy securities and hold them to maturity to avoid potential losses from a sale. During fiscal year 2012, the City complied with all aspects of the investment policy.

## **MAJOR INITIATIVES**

In 1998, the City established a Tax Increment Finance District for the City's west side. This District encompasses over 800 acres of unimproved land. The goal of this District is to spur development in the last major undeveloped area of the City. Since the District was created, taxable values within the District have increased by \$48 million. Property taxes associated with this increment are used to accelerate public infrastructure improvements within the District. All taxing entities participate in funding these improvements. The District will legally expire in 2018.

## **AWARDS AND ACKNOWLEDGMENTS**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Farmers Branch for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended September 30, 2011. This was the twenty-third consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the City had to publish an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The City believes its current CAFR continues to meet the Certificate of Achievement Program requirements and is submitting it to the GFOA to determine its eligibility for another certificate.

In addition, the City also received the GFOA's Distinguished Budget Presentation Award for its annual budget for the fiscal year beginning October 1, 2011. In order to qualify for the Distinguished Budget Presentation Award, the government's budget document had to be judged proficient as a policy document, a financial plan, an operations guide, and a communications device.

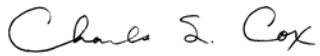
The preparation of this report on a timely basis was made possible by the dedicated service of the entire staff of the finance department and our independent auditors. We would also like to express sincere appreciation to all employees who contributed to its preparation.

In closing, without the leadership and support of the City Council, preparation of this report would not have been possible.

Sincerely,

A handwritten signature in cursive script that reads "Gary D. Greer".

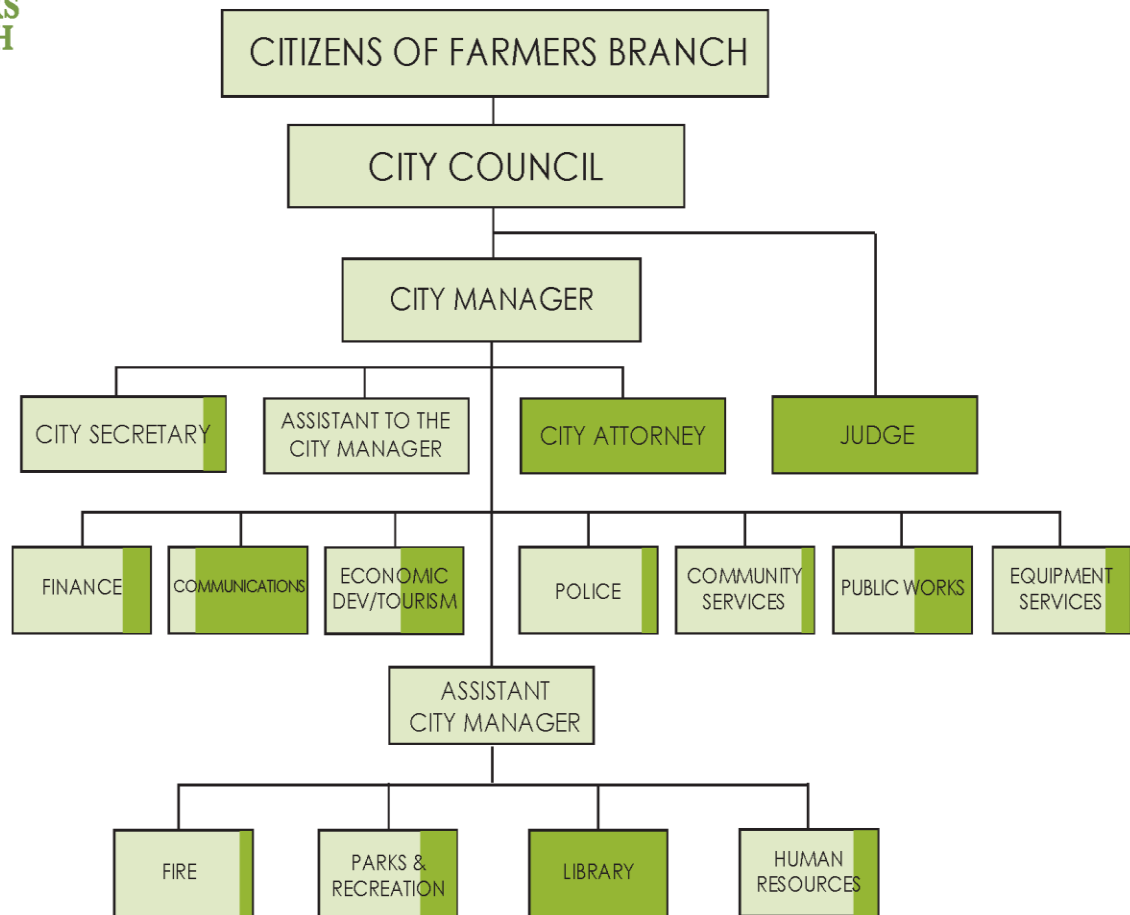
Gary D. Greer  
City Manager

A handwritten signature in cursive script that reads "Charles S. Cox".

Charles S. Cox  
Director of Finance



## CITY OF FARMERS BRANCH 2012 ORGANIZATION CHART



Outsourced Services

City of Farmers Branch, Texas  
List of Principal Officials

City Council

William P. Glancy  
David Koch  
Tim Scott  
Harold Froehlich  
Jeff Fuller  
Ben Robinson

Mayor  
Mayor Pro Tem, Place 4  
Deputy Mayor Pro Tem, Place 1  
Place 2  
Place 3  
Place 5

Appointed Officials

Gary D. Greer  
Shanna Sims-Bradish  
Albert B. Fenton  
Angela Kelly  
Tom Bryson  
Jim Olk  
John Land  
Kevin Muenchow  
Charles S. Cox  
Steve Parker  
Jeff Harting  
Sid Fuller  
Randy Walhood

City Manager  
Assistant City Manager  
City Judge  
City Secretary  
Communications/Marketing Director  
Community Services Director  
Economic Development Director  
Equipment Services Director  
Finance Director  
Fire Chief  
Parks & Recreation Director  
Police Chief  
Interim Public Works Director

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Farmers Branch  
Texas

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
September 30, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



*Christopher P. Morrell*

President

*Jeffrey R. Enen*

Executive Director



## Independent Auditor's Report

**Grant Thornton LLP**  
1717 Main Street, Suite 1500  
Dallas, TX 75201-4667  
**T** 214.561.2300  
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GrantThornton.com  
[linkd.in/GrantThorntonUS](http://linkd.in/GrantThorntonUS)  
[twitter.com/GrantThorntonUS](https://twitter.com/GrantThorntonUS)

The Honorable Mayor, City Council and City Manager  
The City of Farmers Branch, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Farmers Branch, Texas (the "City"), as of and for the year ended September 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Farmers Branch, Texas, as of September 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund and the major special revenue fund – Landfill Closure/Post-Closure Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 10 and the Required Supplementary Information on page 45 (Texas Municipal Retirement System Analysis of Funding Progress and Retiree Benefit Plan Schedule of Funding Progress) be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. This required supplementary information is the responsibility of management. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America established by the American Institute of Certified Public Accountants. These limited procedures consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's response to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City's basic financial statements. The combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures. These additional procedures included comparing and reconciling the information directly to the underlying accounting and other records used to prepare the financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America established by the American Institute of Certified Public Accountants. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City's basic financial statements. The introductory section, statistical section, and continuing financial disclosure section, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

GRANT THORNTON LLP

Dallas, Texas  
January 15, 2013



# CITY OF FARMERS BRANCH, TEXAS

Management's Discussion and Analysis  
For the Fiscal Year Ended September 30, 2012  
(Unaudited)

As management of the City of Farmers Branch (City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2012. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in the introductory section of this report.

## FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of the City exceeded its liabilities at the close of the fiscal year ended September 30, 2012 by \$146,618,832 (net position). Of this amount, \$608,148 represents unrestricted net position and may be used to meet the government's ongoing obligations to citizens and creditors in accordance with the City's fund designation and fiscal policies as more fully described below. The City's total net position decreased \$4,457,127.
- At the close of the fiscal year ended September 30, 2012, the City's governmental funds reported combined ending fund balances of \$26,036,612, a decrease of \$4,590,064 in comparison with the prior year. Approximately 33 percent of the combined ending fund balance, in the amount of \$8,629,830, is available for use within the City's policies (unassigned fund balance).
- The unassigned fund balance for the general fund was \$8,629,830 or 20 percent of total general fund expenditures plus other financing sources and uses. This represents a \$650,964 decrease from the prior fiscal year.
- At the end of the current fiscal year, unrestricted fund balance (the total of the *assigned* and *unassigned* components of *fund balance*) for the general fund was \$11,531,471, or approximately 24 percent of total general fund expenditures.
- The City's long-term liabilities decreased \$3,121,290 during the current fiscal year. Principal was reduced as debt payments were made and only refunding debt was issued.

## OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide Financial Statements** - The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

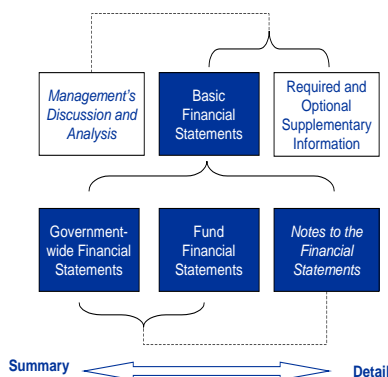
The statement of net position presents information on all of the City's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net position changed during the fiscal year. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned, but unused compensated absences).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works, and culture and recreation. The business-type activities of the City include water and sewer.

The government-wide financial statements can be found in Exhibit A of this report.

### Required Components of City of Farmers Branch's Annual Financial Report



## CITY OF FARMERS BRANCH, TEXAS

Management's Discussion and Analysis  
For the Fiscal Year Ended September 30, 2012  
(Unaudited)

**Fund Financial Statements** - A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories - governmental funds and proprietary funds.

**Governmental Funds** - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate the comparison between governmental funds and governmental activities.

The City maintains 21 governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and landfill closure/postclosure fund, which are considered to be major funds. Data from the other 19 funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The basic governmental fund financial statements can be found in Exhibit B of this report.

**Proprietary Funds** - The City maintains two types of proprietary funds. The water and sewer fund is used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses the water and sewer fund to account for its water and sewer operations. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses its internal service funds to account for its equipment services, workers' compensation, and health claims funds. Because these services predominantly benefit governmental rather than business-type functions they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The water and sewer fund is considered a major fund of the City. All internal service funds are combined into a single aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

The basic proprietary fund financial statements can be found in Exhibit C of this report.

**Notes to Basic Financial Statements** - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to basic financial statements can be found in Exhibit D of this report.

**Other Information** - In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension and other postemployment benefits to its employees. Required supplementary information can be found in Exhibit E of this report.

The combining statements referred to earlier in connection with non-major governmental funds and internal service funds are presented following the required supplementary information on pensions. Combining and individual statements and schedules can be found in Exhibit F through Exhibit H of this report.

# CITY OF FARMERS BRANCH, TEXAS

Management's Discussion and Analysis  
For the Fiscal Year Ended September 30, 2012  
(Unaudited)

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

The City's net position, the amount that assets and deferred outflows of resources exceeded liabilities, was \$146,618,832 at the close of the most recent fiscal year.

### CONDENSED NET POSITION

|                                      | Governmental Activities |               | Business-Type Activities |               | Total - Primary Government |                |
|--------------------------------------|-------------------------|---------------|--------------------------|---------------|----------------------------|----------------|
|                                      | 2012                    | 2011*         | 2012                     | 2011          | 2012                       | 2011           |
| Current and other assets             | \$ 33,678,326           | \$ 38,219,107 | \$ 16,275,004            | \$ 16,952,641 | \$ 49,953,330              | \$ 55,171,748  |
| Capital assets                       | 122,827,726             | 124,277,570   | 40,874,322               | 41,019,561    | 163,702,048                | 165,297,131    |
| Total assets                         | 156,506,052             | 162,496,677   | 57,149,326               | 57,972,202    | 213,655,378                | 220,468,879    |
| Total deferred outflows of resources | 212,239                 | 36,370        |                          |               | 212,239                    | 36,370         |
| Noncurrent liabilities               | 54,780,684              | 57,922,468    | 352,413                  | 331,919       | 55,133,097                 | 58,254,387     |
| Other liabilities                    | 11,056,709              | 10,279,890    | 1,058,979                | 895,013       | 12,115,688                 | 11,174,903     |
| Total liabilities                    | 65,837,393              | 68,202,358    | 1,411,392                | 1,226,932     | 67,248,785                 | 69,429,290     |
| Net position:                        |                         |               |                          |               |                            |                |
| Net investment in capital assets     | 101,949,868             | 102,606,658   | 40,608,870               | 40,934,305    | 142,558,738                | 143,540,963    |
| Restricted                           | 3,451,946               | 3,717,854     |                          |               | 3,451,946                  | 3,717,854      |
| Unrestricted                         | (14,520,916)            | (11,993,823)  | 15,129,064               | 15,810,965    | 608,148                    | 3,817,142      |
| Total net position                   | \$ 90,880,898           | \$ 94,330,689 | \$ 55,737,934            | \$ 56,745,270 | \$ 146,618,832             | \$ 151,075,959 |

\* Net position of the 2011 governmental activities have been restated (see Note G.4 page 44.)

The largest portion of the City's combined net position (97%) reflects its investments in capital assets (e.g., land, buildings, equipment, intangible assets, improvements, construction in progress, and infrastructure), less any debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide service to citizens; consequently these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the City's net position (2%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (1%) may be used to meet the government's ongoing obligation to citizens and creditors.

The net position of the City's governmental activities shows a \$14,520,916 unrestricted deficit at the end of this year. This deficit does not mean the City does not have enough resources available to pay its bills next year. Rather, it is the result of having long-term commitments that are greater than currently available resources. The City will include these amounts in future years' budgets as they become due.

Although the unrestricted net position of the business-type activities is larger than the unrestricted net position of the governmental activities, resulting in a combined unrestricted net position of \$608,148, these resources cannot be used to make up for the deficit in the governmental activities. The City generally can only use this net position to finance the continuing operations of the water and sewer operations.

**Analysis of the City's Operations** – During the current fiscal year, net position for governmental activities decreased \$3,449,791 from the prior fiscal year for an ending balance of \$90,880,898. The net position of the business-type activities decreased \$1,007,336 from the prior fiscal year for an ending balance of \$55,737,934.

Current and other assets decreased in the governmental and business-type activities by \$4,540,781 and \$677,637, respectively. The decrease in the governmental activities is primarily due to the acquisition and construction of capital assets with debt proceeds and accumulation of other funds from previous fiscal years.

The City's noncurrent liabilities decreased \$3,121,290 due primarily to debt retirement without issuing new bonds for capital improvements.

Unrestricted net position of the governmental activities decreased \$2,527,093 due primarily to the use of unrestricted funds for capital construction from previously issued debt.

# CITY OF FARMERS BRANCH, TEXAS

Management's Discussion and Analysis  
For the Fiscal Year Ended September 30, 2012  
(Unaudited)

## CHANGES IN NET POSITION

|  | Governmental Activities |                      | Business-Type Activities |                      | Total - Primary Government |                       |
|--|-------------------------|----------------------|--------------------------|----------------------|----------------------------|-----------------------|
|  | 2012                    | 2011                 | 2012                     | 2011                 | 2012                       | 2011                  |
| Revenues:  |                         |                      |                          |                      |                            |                       |
| Program revenues:                                    |                         |                      |                          |                      |                            |                       |
| Charges for services                                 | \$ 8,654,848            | \$ 9,077,248         | \$ 14,059,819            | \$ 14,737,572        | \$ 22,714,667              | \$ 23,814,820         |
| Operating grants and contributions                   | 310,341                 | 151,228              |                          |                      | 310,341                    | 151,228               |
| Capital grants and contributions                     | 709,138                 | 720,581              |                          |                      | 709,138                    | 720,581               |
| General revenues:                                    |                         |                      |                          |                      |                            |                       |
| Taxes:   |                         |                      |                          |                      |                            |                       |
| Property taxes, levied for general purposes          | 17,284,378              | 18,109,178           |                          |                      | 17,284,378                 | 18,109,178            |
| Property taxes, levied for debt service              | 1,506,258               | 1,474,045            |                          |                      | 1,506,258                  | 1,474,045             |
| Sales and use taxes                                  | 12,750,809              | 11,988,696           |                          |                      | 12,750,809                 | 11,988,696            |
| Hotel/motel taxes                                    | 1,932,530               | 2,017,819            |                          |                      | 1,932,530                  | 2,017,819             |
| Franchise taxes                                      | 4,185,655               | 4,695,310            |                          |                      | 4,185,655                  | 4,695,310             |
| Tax increment financing                              | 1,005,642               | 1,337,358            |                          |                      | 1,005,642                  | 1,337,358             |
| Investment income                                    | 1,341,782               | 1,379,360            | 33,868                   | 55,111               | 1,375,650                  | 1,434,471             |
| Miscellaneous  | 536,320                 | 56,546               |                          |                      | 536,320                    | 56,546                |
| Total revenues                                       | <u>50,217,701</u>       | <u>51,007,369</u>    | <u>14,093,687</u>        | <u>14,792,683</u>    | <u>64,311,388</u>          | <u>65,800,052</u>     |
| Expenses:  |                         |                      |                          |                      |                            |                       |
| General government                                   | 11,884,776              | 11,438,960           |                          |                      | 11,884,776                 | 11,438,960            |
| Public safety  | 21,414,818              | 22,439,143           |                          |                      | 21,414,818                 | 22,439,143            |
| Public works   | 8,509,565               | 8,562,557            |                          |                      | 8,509,565                  | 8,562,557             |
| Culture and recreation                               | 12,866,193              | 12,824,261           |                          |                      | 12,866,193                 | 12,824,261            |
| Interest on long-term debt                           | 1,775,374               | 1,821,645            |                          |                      | 1,775,374                  | 1,821,645             |
| Unallocated depreciation                             | 605,266                 | 126,464              |                          |                      | 605,266                    | 126,464               |
| Water and sewer                                      |                         |                      | 11,712,523               | 11,937,355           | 11,712,523                 | 11,937,355            |
| Total expenses                                       | <u>57,055,992</u>       | <u>57,213,030</u>    | <u>11,712,523</u>        | <u>11,937,355</u>    | <u>68,768,515</u>          | <u>69,150,385</u>     |
| Increase (decrease) in net position before transfers | (6,838,291)             | (6,205,661)          | 2,381,164                | 2,855,328            | (4,457,127)                | (3,350,333)           |
| Transfers  | 3,388,500               | 4,211,400            | (3,388,500)              | (4,211,400)          |                            |                       |
| Increase (decrease) in net position                  | (3,449,791)             | (1,994,261)          | (1,007,336)              | (1,356,072)          | (4,457,127)                | (3,350,333)           |
| Net position--beginning, as restated*                | 94,330,689              | 96,324,950           | 56,745,270               | 58,101,342           | 151,075,959                | 154,426,292           |
| Net position--ending                                 | <u>\$ 90,880,898</u>    | <u>\$ 94,330,689</u> | <u>\$ 55,737,934</u>     | <u>\$ 56,745,270</u> | <u>\$ 146,618,832</u>      | <u>\$ 151,075,959</u> |

\* Net position of the 2011 governmental activities have been restated (see Note G.4 page 44.)

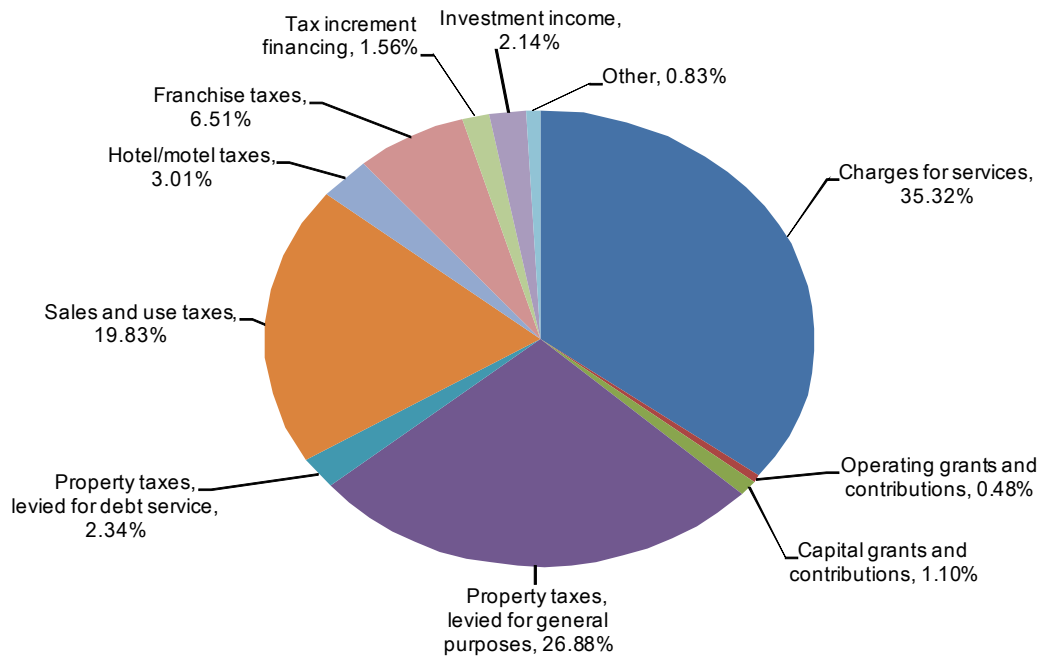
Total revenue of the governmental activities declined \$789,668. The revenue from sales and use taxes increased \$762,113, but were offset by decreases of \$792,587 in property taxes due to lower valuations and a decrease of \$422,400 in charges for services (mostly due to lower revenue from landfill services.) The general government expenses increased due to a payout of \$650,000 for settlement of a lawsuit. Transfers decreased because a 2011 transfer from the business-type activities of \$1,262,000 to replace property taxes for debt service was not done in 2012.

Charges for services in the business-type activities decreased \$677,753 due to decreased customer water usage from customer conservation efforts and slightly less hot, dry weather conditions in 2012 as compared to 2011.

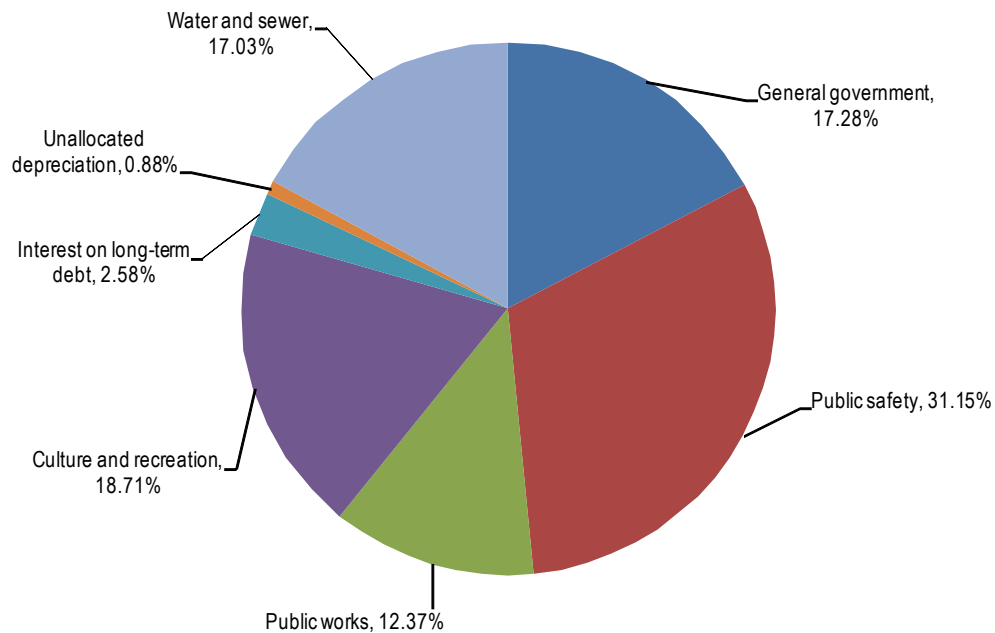
## CITY OF FARMERS BRANCH, TEXAS

Management's Discussion and Analysis  
For the Fiscal Year Ended September 30, 2012  
(Unaudited)

### Total Sources of Revenue



### Total Expenses by Activity



## CITY OF FARMERS BRANCH, TEXAS

Management's Discussion and Analysis  
For the Fiscal Year Ended September 30, 2012  
(Unaudited)

### *FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS*

**Governmental Funds** - The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources at the end of the fiscal year.

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$26,036,612. Of this total, \$13,893,159 is restricted due to external limitations on its use, such as by debt covenants, legal restrictions, or intention of grantors, donors, or trustees. A total of \$73,873 is considered nonspendable because it has been used for inventory and prepaid items. A total of \$3,439,750 has been assigned meaning there are limitations resulting from its intended use, such as construction of capital assets, payment of debt service, and for other purposes. The remaining \$8,629,830 is unassigned and can be used for any lawful purpose.

The general fund is the main operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund is \$8,629,830, while total fund balance is \$11,599,826. As a measure of the general fund's liquidity, it may be useful to compare the unassigned general fund balance and total general fund balance to total general fund expenditures and other financing sources and uses. Unassigned general fund balance represents 20 percent of total general fund expenditures plus other financing sources and uses, while total fund balance represents 27 percent of that same amount.

The fund balance of the general fund decreased \$45,773 during the fiscal year. Expenditures were \$3,116,131 higher than the prior year due to a return to recommended capital asset replacement schedules, reinstated funding for major street maintenance, economic development, merit pay increases for employees, and settlement of a lawsuit. Other financing sources and uses were \$870,742 higher due to the sale of capital assets no longer needed after outsourcing residential garbage collection in the prior fiscal year and insurance recoveries to reimburse hail damage.

Landfill closure/postclosure fund balance decreased \$436,485 as expenditures for the gas collection system exceeded investment income.

**Proprietary Funds** - The City's water and sewer fund is the primary component of proprietary funds. The water and sewer fund financial statements provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net position of the water and sewer fund was \$15,155,542 of which \$8,209,271 is intended for capital improvements. The internal service funds (the other component of proprietary funds) report activities that provide supplies and services for the City's various functions. The City uses internal service funds to account for equipment services and the City's workers' compensation and health insurance self-insurance programs. Because all of these services primarily benefit governmental rather than business-type activities, they have been included with governmental activities in the government-wide financial statements.

**General Fund Budgetary Highlights** - During the fiscal year ending September 30, 2012, the City Council adopted amendments to the budget. In the general fund, the final budgeted revenues increased \$902,300 compared to the original budgeted revenues. The budget for sales and use tax revenues increased \$1,000,000. Final total budgeted expenditures increased \$2,446,100 compared to the original budgeted expenditures. The final budget for general government division expenditures increased \$1,340,900 due to the settlement of a lawsuit and increased legal costs. The final budget for other financing sources increased \$977,400 due to an increase in insurance recoveries resulting from a payment from the Texas Municipal League to reimburse hail damage that occurred to several City buildings and an increase in sales of general capital assets for garbage collection equipment sold at auction.

# CITY OF FARMERS BRANCH, TEXAS

Management's Discussion and Analysis  
For the Fiscal Year Ended September 30, 2012  
(Unaudited)

## CAPITAL ASSETS

The City's investment in capital assets for its government-wide activities as of September 30, 2012, amounts to \$163,702,048 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, improvements, infrastructure, intangible assets, and construction in progress.

Major capital asset events during the current fiscal year included the following:

### Completed Projects

- Completion of Fire Station No. 1 and Emergency Operations Center for \$4,294,000.
- Street and utility improvements for \$625,000.
- Trail expansion in the amount of \$100,000.

### Amounts Spent for Ongoing Projects

- Wicker Pump Station rehabilitation for \$1,383,000.
- Mustang Trail erosion control for \$350,000.

### Capital Assets at Year-End Net of Accumulated Depreciation

|                          | Governmental Activities |                       | Business-Type Activities |                      | Total - Primary Government |                       |
|--------------------------|-------------------------|-----------------------|--------------------------|----------------------|----------------------------|-----------------------|
|                          | 2012                    | 2011                  | 2012                     | 2011                 | 2012                       | 2011                  |
| Land                     | \$ 40,645,270           | \$ 41,614,156         | \$ 603,364               | \$ 603,364           | \$ 41,248,634              | \$ 42,217,520         |
| Buildings                | 37,416,652              | 34,601,809            | 2,771,198                | 3,011,611            | 40,187,850                 | 37,613,420            |
| Equipment                | 5,456,319               | 5,388,757             | 1,187,268                | 991,580              | 6,643,587                  | 6,380,337             |
| Improvements             | 4,515,706               | 4,501,195             | 773                      | 2,320                | 4,516,479                  | 4,503,515             |
| Infrastructure           | 31,056,500              | 32,887,321            | 33,736,803               | 35,526,779           | 64,793,303                 | 68,414,100            |
| Intangible assets        | 87,952                  | 146,576               |                          |                      | 87,952                     | 146,576               |
| Construction in progress | 3,649,327               | 5,137,756             | 2,574,916                | 883,907              | 6,224,243                  | 6,021,663             |
| Total                    | <u>\$ 122,827,726</u>   | <u>\$ 124,277,570</u> | <u>\$ 40,874,322</u>     | <u>\$ 41,019,561</u> | <u>\$ 163,702,048</u>      | <u>\$ 165,297,131</u> |

Additional information on the City's capital assets can be found in the notes to basic financial statements (see Note 3.D).

## DEBT ADMINISTRATION

At the end of the current fiscal year, the City had a total bonded debt of \$21,289,001. Of this amount, \$13,595,160 comprises bonded debt backed by the full faith and credit of the government and \$7,693,841 comprises debt to be repaid from hotel/motel tax revenues and lease payments from the Dallas Stars and is backed by the full faith and credit of the government. The developer advances of \$7,868,887 represent a loan to the City for capital project costs payable only from Tax Increment Financing District No. 1 funds.

### Outstanding Debt at Year-End

|                          | Governmental Activities |                      |
|--------------------------|-------------------------|----------------------|
|                          | 2012                    | 2011                 |
| General obligation bonds | \$ 13,595,160           | \$ 16,080,000        |
| Special revenue bonds    | 7,693,841               | 8,250,000            |
| Developer advances       | 7,868,887               | 8,118,887            |
| Total                    | <u>\$ 29,157,888</u>    | <u>\$ 32,448,887</u> |

## CITY OF FARMERS BRANCH, TEXAS

Management's Discussion and Analysis  
For the Fiscal Year Ended September 30, 2012  
(Unaudited)

The City maintains favorable ratings from bond rating agencies. The ratings are as follows:

|   | Moody's<br>Investors<br>Service | Date<br>Confirmed | Standard<br>& Poor's | Date<br>Confirmed |
|---|---------------------------------|-------------------|----------------------|-------------------|
| General obligation bonds                          |                                 |                   |                      |                   |
| 2009 Combination tax and revenue, taxable         | n/a                             | n/a               | AA+                  | August 30, 2011   |
| 2010 General obligation refunding and improvement | Aa2                             | September 6, 2011 | AA+                  | August 30, 2011   |
| Special revenue bonds                             |                                 |                   |                      |                   |
| 2010 General obligation refunding and improvement | Aa2                             | September 6, 2011 | AA+                  | August 30, 2011   |
| 2011 General obligation refunding bonds, taxable  | Aa2                             | September 6, 2011 | AA+                  | August 30, 2011   |

Additional information on the City's long term-debt can be found in the notes to basic financial statements (see Note 3.F).

### *ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES*

The fiscal year 2013 budget reflects a slowly improving economy and emphasizes investment in technology including a new City website, new software, and a public safety radio system upgrade. The City's single largest source of revenue is property taxes and it represents 41 percent of total general fund budgeted revenue. Property values increased for the first time in two years, total taxable values increased 1.55% to \$3.7 billion. Business personal property values represented a large portion of this increase as business inventories began to expand. Property tax rates remained unchanged at 52.95 cents per \$100 valuation. Sales tax revenue is the City's second largest source of revenue representing 29 percent of total general fund budgeted revenue. Sales tax revenue is projected to increase at a moderate pace of 1 percent. The total general fund budgeted revenue was decreased from the prior year by less than 1 percent or \$180,700. The decline, despite increases in property and sales tax revenues, was because the 2012 budget included larger than normal revenue from the sale of assets and insurance recoveries. Budgeted general fund expenditures are expected to decrease by almost 3 percent or \$1,166,900. This is due to a decrease in the budget for legal expenditures. Budgeted revenue for the water and sewer fund is 8 percent higher than fiscal year 2012. This is due to an increase in water and sewer rates by 3 percent and higher expected consumption levels compared to 2012. Budgeted expenses for the water and sewer fund are projected to increase 7 percent due to increased purchased water and wastewater treatment costs.

### *REQUEST FOR INFORMATION*

This financial report is designed to provide our citizens, customers, investors, and creditors with a general overview of the City's finances. If you have questions about this report or need any additional information, contact the Finance Department, Attn: Director of Finance, at 13000 William Dodson Parkway, Farmers Branch, Texas 75234, or call (972) 247-3131, or e-mail [charles.cox@farmersbranch.info](mailto:charles.cox@farmersbranch.info).



STATEMENT OF NET POSITION  
SEPTEMBER 30, 2012

|   | Primary Government         |                             |                |
|---|----------------------------|-----------------------------|----------------|
|   | Governmental<br>Activities | Business-Type<br>Activities | Total          |
| <b>ASSETS</b>                                     |                            |                             |                |
| Cash, cash equivalents, and investments           | \$ 24,989,551              | \$ 7,987,622                | \$ 32,977,173  |
| Receivables (net of allowance for uncollectibles) | 6,645,881                  | 2,438,346                   | 9,084,227      |
| Inventories                                       | 1,939,850                  |                             | 1,939,850      |
| Deposits  | 29,000                     |                             | 29,000         |
| Prepaid items                                     | 74,044                     | 68,273                      | 142,317        |
| Equity interest in joint venture                  |                            | 5,780,763                   | 5,780,763      |
| Capital assets:                                   |                            |                             |                |
| Nondepreciable                                    | 44,294,597                 | 3,178,280                   | 47,472,877     |
| Depreciable, net of accumulated depreciation      | 78,533,129                 | 37,696,042                  | 116,229,171    |
| Total assets                                      | 156,506,052                | 57,149,326                  | 213,655,378    |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>             |                            |                             |                |
| Deferred charge on refunding                      | 212,239                    |                             | 212,239        |
| Total deferred outflows of resources              | 212,239                    |                             | 212,239        |
| <b>LIABILITIES</b>                                |                            |                             |                |
| Accounts payable and other accrued liabilities    | 3,854,297                  | 735,523                     | 4,589,820      |
| Retainage payable                                 | 40,041                     | 97,519                      | 137,560        |
| Accrued interest payable                          | 6,484,846                  |                             | 6,484,846      |
| Deposits payable                                  | 631,052                    | 199,459                     | 830,511        |
| Internal balances                                 | (26,478)                   | 26,478                      |                |
| Unearned revenue                                  | 72,951                     |                             | 72,951         |
| Noncurrent liabilities:                           |                            |                             |                |
| Due within one year                               | 2,694,824                  | 44,679                      | 2,739,503      |
| Due in more than one year                         | 52,085,860                 | 307,734                     | 52,393,594     |
| Total liabilities                                 | 65,837,393                 | 1,411,392                   | 67,248,785     |
| <b>NET POSITION</b>                               |                            |                             |                |
| Net Investment in capital assets                  | 101,949,868                | 40,608,870                  | 142,558,738    |
| Restricted for:                                   |                            |                             |                |
| Construction of capital assets                    | 924,235                    |                             | 924,235        |
| Promotion of tourism                              | 617,163                    |                             | 617,163        |
| Purposes of grantors/trustees                     | 574,696                    |                             | 574,696        |
| Debt service                                      | 435,791                    |                             | 435,791        |
| Law enforcement                                   | 900,061                    |                             | 900,061        |
| Unrestricted                                      | (14,520,916)               | 15,129,064                  | 608,148        |
| Total net position                                | \$ 90,880,898              | \$ 55,737,934               | \$ 146,618,832 |

The accompanying notes are an integral part of the financial statements.

CITY OF FARMERS BRANCH, TEXAS

STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

| Functions/Programs  | Expenses      | Program Revenues |               |               |
|---|---------------|------------------|---------------|---------------|
|   |               | Charges for      | Operating     | Capital       |
|   |               | Services         | Grants and    | Grants and    |
|   |               |                  | Contributions | Contributions |
| Primary government:   |               |                  |               |               |
| Governmental activities:                                    |               |                  |               |               |
| General government  | \$ 11,884,776 | \$ 1,193,467     | \$ 222,534    | \$            |
| Public safety   | 21,414,818    | 3,989,457        | 59,459        | 17,900        |
| Public works  | 8,509,565     | 2,308,598        |               | 690,191       |
| Culture and recreation                                      | 12,866,193    | 1,163,326        | 28,348        | 1,047         |
| Interest on long-term debt                                  | 1,775,374     |                  |               |               |
| Unallocated depreciation                                    | 605,266       |                  |               |               |
| Total governmental activities                               | 57,055,992    | 8,654,848        | 310,341       | 709,138       |
| Business-type activities:                                   |               |                  |               |               |
| Water and sewer   | 11,712,523    | 14,059,819       |               |               |
| Total business-type activities                              | 11,712,523    | 14,059,819       |               |               |
| Total primary government                                    | \$ 68,768,515 | \$ 22,714,667    | \$ 310,341    | \$ 709,138    |
| General revenues:   |               |                  |               |               |
| Taxes:  |               |                  |               |               |
| Property taxes, levied for general purposes                 |               |                  |               |               |
| Property taxes, levied for debt service                     |               |                  |               |               |
| Sales and use taxes   |               |                  |               |               |
| Hotel/motel taxes   |               |                  |               |               |
| Franchise taxes   |               |                  |               |               |
| Tax increment financing                                     |               |                  |               |               |
| Investment income   |               |                  |               |               |
| Miscellaneous   |               |                  |               |               |
| Transfers   |               |                  |               |               |
| Total general revenues and transfers                        |               |                  |               |               |
| Change in net position                                      |               |                  |               |               |
| Net position--beginning, as restated (see Note G.4 page 44) |               |                  |               |               |
| Net position--ending  |               |                  |               |               |

The accompanying notes are an integral part of the financial statements.

Exhibit A-2

| Net (Expense) Revenue and<br>Changes in Net Position |                             |                        |
|--|-----------------------------|------------------------|
| Primary Government                                   |                             |                        |
| Governmental<br>Activities                           | Business-Type<br>Activities | Total                  |
| \$ (10,468,775)                                      | \$                          | \$ (10,468,775)        |
| (17,348,002)   |                             | (17,348,002)           |
| (5,510,776)  |                             | (5,510,776)            |
| (11,673,472)   |                             | (11,673,472)           |
| (1,775,374)  |                             | (1,775,374)            |
| (605,266)  |                             | (605,266)              |
| <u>(47,381,665)</u>                                  |                             | <u>(47,381,665)</u>    |
|  | 2,347,296                   | 2,347,296              |
|  | <u>2,347,296</u>            | <u>2,347,296</u>       |
| <u>\$ (47,381,665)</u>                               | <u>\$ 2,347,296</u>         | <u>\$ (45,034,369)</u> |
| 17,284,378   |                             | 17,284,378             |
| 1,506,258  |                             | 1,506,258              |
| 12,750,809   |                             | 12,750,809             |
| 1,932,530  |                             | 1,932,530              |
| 4,185,655  |                             | 4,185,655              |
| 1,005,642  |                             | 1,005,642              |
| 1,341,782  | 33,868                      | 1,375,650              |
| 536,320  |                             | 536,320                |
| 3,388,500  | (3,388,500)                 |                        |
| <u>43,931,874</u>                                    | <u>(3,354,632)</u>          | <u>40,577,242</u>      |
| (3,449,791)  | (1,007,336)                 | (4,457,127)            |
| 94,330,689   | 56,745,270                  | 151,075,959            |
| <u>\$ 90,880,898</u>                                 | <u>\$ 55,737,934</u>        | <u>\$ 146,618,832</u>  |

BALANCE SHEET - GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2012

|   | General              | Landfill<br>Closure/<br>Postclosure | Nonmajor<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|---|----------------------|-------------------------------------|-----------------------------------|--------------------------------|
| <b>ASSETS</b>   |                      |                                     |                                   |                                |
| Cash, cash equivalents, and investments                             | \$ 10,485,701        | \$ 6,775,623                        | \$ 6,713,928                      | \$ 23,975,252                  |
| Receivables (net of allowance for uncollectibles)                   | 5,609,610            |                                     | 800,987                           | 6,410,597                      |
| Accrued interest and other  | 89,860               | 45,570                              | 42,526                            | 177,956                        |
| Due from other funds  | 24,000               |                                     |                                   | 24,000                         |
| Inventories   | 220,000              |                                     | 1,648,265                         | 1,868,265                      |
| Prepaid items   | 68,355               |                                     | 688                               | 69,043                         |
| Total assets  | <u>\$ 16,497,526</u> | <u>\$ 6,821,193</u>                 | <u>\$ 9,206,394</u>               | <u>\$ 32,525,113</u>           |
| <b>LIABILITIES</b>  |                      |                                     |                                   |                                |
| Accounts payable  | \$ 3,224,120         | \$ 99,827                           | \$ 352,752                        | \$ 3,676,699                   |
| Retainage payable   | 33,600               |                                     | 6,441                             | 40,041                         |
| Deposits payable  | 26,077               |                                     | 604,975                           | 631,052                        |
| Due to other funds  |                      |                                     | 24,000                            | 24,000                         |
| Unearned revenue - other  | 4,878                |                                     | 68,073                            | 72,951                         |
| Total liabilities   | <u>3,288,675</u>     | <u>99,827</u>                       | <u>1,056,241</u>                  | <u>4,444,743</u>               |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                                |                      |                                     |                                   |                                |
| Unavailable revenue   | 1,609,025            |                                     | 434,733                           | 2,043,758                      |
| Total deferred inflows of resources                                 | <u>1,609,025</u>     |                                     | <u>434,733</u>                    | <u>2,043,758</u>               |
| <b>FUND BALANCES</b>  |                      |                                     |                                   |                                |
| Nonspendable:   |                      |                                     |                                   |                                |
| Inventory   |                      |                                     | 4,830                             | 4,830                          |
| Prepaid items   | 68,355               |                                     | 688                               | 69,043                         |
| Restricted:   |                      |                                     |                                   |                                |
| Construction of capital assets                                      |                      |                                     | 825,648                           | 825,648                        |
| Landfill closure/postclosure  |                      | 6,721,366                           |                                   | 6,721,366                      |
| Dangerous structures abatement                                      |                      |                                     | 3,823,952                         | 3,823,952                      |
| Promotion of tourism  |                      |                                     | 611,645                           | 611,645                        |
| Purpose of grantors, trustees and donors                            |                      |                                     | 574,696                           | 574,696                        |
| Debt service  |                      |                                     | 435,791                           | 435,791                        |
| Law enforcement   |                      |                                     | 900,061                           | 900,061                        |
| Assigned:   |                      |                                     |                                   |                                |
| Construction of capital assets                                      |                      |                                     | 316,211                           | 316,211                        |
| Other capital assets  | 833,737              |                                     |                                   | 833,737                        |
| Debt service  |                      |                                     | 221,898                           | 221,898                        |
| Economic development  | 1,587,997            |                                     |                                   | 1,587,997                      |
| Other purposes  | 479,907              |                                     |                                   | 479,907                        |
| Unassigned  | 8,629,830            |                                     |                                   | 8,629,830                      |
| Total fund balances   | <u>11,599,826</u>    | <u>6,721,366</u>                    | <u>7,715,420</u>                  | <u>26,036,612</u>              |
| Total liabilities, deferred inflows of resources, and fund balances | <u>\$ 16,497,526</u> | <u>\$ 6,821,193</u>                 | <u>\$ 9,206,394</u>               | <u>\$ 32,525,113</u>           |

The accompanying notes are an integral part of the financial statements.

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION  
SEPTEMBER 30, 2012

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Amounts reported for governmental activities in the statement of net position (page 11) are different because:

|  |                      |
|--|----------------------|
| Total fund balances - governmental funds (page 14):  | \$ 26,036,612        |
| Capital assets used in governmental activities are not financial resources and, therefore,<br>are not reported in the funds (net of internal service fund capital assets of \$149,457).  | 122,678,269          |
| Other long-term assets are not available to pay for current period expenditures and, therefore, are<br>reported as unavailable revenue in the funds.   | 2,043,758            |
| Internal service funds are used by management to charge the cost of certain activities, such as fleet<br>management and workers' compensation and medical self-insurance programs, to individual funds.<br>The assets and liabilities of the internal service funds are included in governmental activities in the<br>statement of net position (net of amount allocated to business-type activities of \$26,478). | 334,316              |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and,<br>therefore, are not reported in the funds.  | (60,212,057)         |
| Net position of governmental activities  | <u>\$ 90,880,898</u> |

The accompanying notes are an integral part of the financial statements.

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

|   | General       | Landfill<br>Closure/<br>Postclosure | Nonmajor<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|---|---------------|-------------------------------------|-----------------------------------|--------------------------------|
| REVENUES  |               |                                     |                                   |                                |
| Property taxes  | \$ 17,237,307 | \$                                  | \$ 1,506,427                      | \$ 18,743,734                  |
| Sales and use taxes                                       | 12,750,809    |                                     |                                   | 12,750,809                     |
| Hotel/motel taxes   |               |                                     | 1,932,530                         | 1,932,530                      |
| Franchise taxes   | 4,164,943     |                                     | 59,500                            | 4,224,443                      |
| Tax increment financing                                   |               |                                     | 868,477                           | 868,477                        |
| Licenses and permits                                      | 1,012,913     |                                     |                                   | 1,012,913                      |
| Charges for services                                      | 4,624,287     |                                     |                                   | 4,624,287                      |
| Fines and forfeitures                                     | 2,184,699     |                                     | 670,664                           | 2,855,363                      |
| Special assessments                                       |               |                                     | 42,676                            | 42,676                         |
| Investment income   | 587,856       | 30,446                              | 702,345                           | 1,320,647                      |
| Intergovernmental   |               |                                     | 691,339                           | 691,339                        |
| Developer's contributions                                 |               |                                     | 95,000                            | 95,000                         |
| Miscellaneous   | 56,202        |                                     | 286,806                           | 343,008                        |
| Total revenues  | 42,619,016    | 30,446                              | 6,855,764                         | 49,505,226                     |
| EXPENDITURES  |               |                                     |                                   |                                |
| Current:  |               |                                     |                                   |                                |
| General government  | 11,287,146    |                                     | 118,838                           | 11,405,984                     |
| Public safety   | 20,609,761    |                                     | 607,691                           | 21,217,452                     |
| Public works  | 5,665,710     | 466,931                             |                                   | 6,132,641                      |
| Culture and recreation                                    | 10,526,017    |                                     | 1,425,529                         | 11,951,546                     |
| Debt service:   |               |                                     |                                   |                                |
| Principal retirement                                      |               |                                     | 3,720,000                         | 3,720,000                      |
| Interest and fiscal agent charges                         |               |                                     | 773,819                           | 773,819                        |
| Issuance costs  |               |                                     | 108,637                           | 108,637                        |
| Loss due to decline in market value of land held for sale | 95,459        |                                     | 38,768                            | 134,227                        |
| Capital outlay  |               |                                     | 3,712,822                         | 3,712,822                      |
| Total expenditures  | 48,184,093    | 466,931                             | 10,506,104                        | 59,157,128                     |
| Deficiency of revenues<br>under expenditures              | (5,565,077)   | (436,485)                           | (3,650,340)                       | (9,651,902)                    |
| OTHER FINANCING SOURCES (USES)                            |               |                                     |                                   |                                |
| Transfers in  | 3,949,773     |                                     | 1,057,820                         | 5,007,593                      |
| Transfers out   |               |                                     | (1,619,093)                       | (1,619,093)                    |
| General obligation refunding and improvement bonds issued |               |                                     | 7,035,000                         | 7,035,000                      |
| Premiums on debt issued                                   |               |                                     | 19,057                            | 19,057                         |
| Payment to refunded bond escrow agent                     |               |                                     | (6,950,250)                       | (6,950,250)                    |
| Sale of general capital assets                            | 1,021,293     |                                     |                                   | 1,021,293                      |
| Insurance recoveries                                      | 548,238       |                                     |                                   | 548,238                        |
| Total other financing sources (uses)                      | 5,519,304     |                                     | (457,466)                         | 5,061,838                      |
| Net change in fund balances                               | (45,773)      | (436,485)                           | (4,107,806)                       | (4,590,064)                    |
| Fund balances--beginning                                  | 11,645,599    | 7,157,851                           | 11,823,226                        | 30,626,676                     |
| Fund balances--ending                                     | \$ 11,599,826 | \$ 6,721,366                        | \$ 7,715,420                      | \$ 26,036,612                  |

The accompanying notes are an integral part of the financial statements.

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

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Amounts reported for governmental activities in the statement of activities (page 12) are different because:

|  |                       |
|--|-----------------------|
| Net change in fund balances - total governmental funds (page 16)   | \$ (4,590,064)        |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays were less than depreciation expense in the current period.   | (40,503)              |
| The net effect of the various miscellaneous transactions involving capital assets (i.e., sales and donations) is to decrease net position.   | (1,356,155)           |
| Revenues in the government-wide statement of activities that do not provide current financial resources are not reported as revenues in the funds.   | 155,020               |
| The issuance of long-term debt (e.g. bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. | 3,616,193             |
| Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.  | (1,028,188)           |
| Internal service funds are used by management to charge the costs of fleet management, workers' compensation, and health claims, to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities.  | (206,094)             |
| Change in net position of governmental activities:   | <u>\$ (3,449,791)</u> |

The accompanying notes are an integral part of the financial statements.

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GENERAL FUND  
 BUDGET AND ACTUAL  
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

|  | Budgeted Amounts |               | Actual Amounts | Adjustments  | Actual Amounts | Variance with |
|--|------------------|---------------|----------------|--------------|----------------|---------------|
|  | Original         | Final         | GAAP Basis     | Budget Basis | Budget Basis   | Final Budget  |
| <b>REVENUES</b>  |                  |               |                |              |                |               |
| Property taxes   | \$ 17,900,000    | \$ 17,600,000 | \$ 17,237,307  | \$           | \$ 17,237,307  | \$ (362,693)  |
| Sales and use tax  | 11,860,000       | 12,860,000    | 12,750,809     |              | 12,750,809     | (109,191)     |
| Franchise taxes  | 4,568,000        | 4,227,000     | 4,164,943      |              | 4,164,943      | (62,057)      |
| Licenses and permits   | 653,000          | 989,000       | 1,012,913      |              | 1,012,913      | 23,913        |
| Charges for services   | 4,237,200        | 4,720,500     | 4,624,287      |              | 4,624,287      | (96,213)      |
| Fines and forfeitures  | 2,439,500        | 2,179,500     | 2,184,699      |              | 2,184,699      | 5,199         |
| Investment income  | 548,000          | 574,000       | 587,856        |              | 587,856        | 13,856        |
| Miscellaneous  | 95,900           | 53,900        | 56,202         |              | 56,202         | 2,302         |
| Total revenues   | 42,301,600       | 43,203,900    | 42,619,016     |              | 42,619,016     | (584,884)     |
| <b>EXPENDITURES</b>  |                  |               |                |              |                |               |
| Current:   |                  |               |                |              |                |               |
| General government   | 9,907,200        | 11,598,100    | 11,287,146     | (73,875)     | 11,213,271     | 384,829       |
| Public safety  | 20,748,500       | 20,687,600    | 20,609,761     | 27,418       | 20,637,179     | 50,421        |
| Public works   | 5,819,300        | 5,822,700     | 5,665,710      | (194)        | 5,665,516      | 157,184       |
| Culture and recreation                                       | 10,348,100       | 11,160,800    | 10,526,017     | 253,027      | 10,779,044     | 381,756       |
| Loss due to decline in market value<br>of land held for sale | 330,000          | 330,000       | 95,459         |              | 95,459         | 234,541       |
| Total expenditures   | 47,153,100       | 49,599,200    | 48,184,093     | 206,376      | 48,390,469     | 1,208,731     |
| Deficiency of revenues<br>under expenditures                 | (4,851,500)      | (6,395,300)   | (5,565,077)    | (206,376)    | (5,771,453)    | 623,847       |
| <b>OTHER FINANCING SOURCES</b>                               |                  |               |                |              |                |               |
| Transfers in   | 3,775,500        | 3,999,500     | 3,949,773      |              | 3,949,773      | (49,727)      |
| Sale of general capital assets                               | 790,000          | 1,141,400     | 1,021,293      |              | 1,021,293      | (120,107)     |
| Insurance recoveries   | 21,500           | 423,500       | 548,238        |              | 548,238        | 124,738       |
| Total other financing sources                                | 4,587,000        | 5,564,400     | 5,519,304      |              | 5,519,304      | (45,096)      |
| Net change in fund balance                                   | (264,500)        | (830,900)     | (45,773)       | (206,376)    | (252,149)      | 578,751       |
| Fund balances--beginning                                     | 11,359,841       | 11,359,841    | 11,645,599     | (285,758)    | 11,359,841     |               |
| Fund balances--ending  | \$ 11,095,341    | \$ 10,528,941 | \$ 11,599,826  | \$ (492,134) | \$ 11,107,692  | \$ 578,751    |

## Explanation of differences:

Expenditures of amounts encumbered at September 30, 2011

\$ 285,758

Encumbrances outstanding at September 30, 2012 are considered an  
 assignment of fund balance for GAAP basis reporting, but recognized as  
 expenditures for budget purposes

(492,134)

Net decrease in fund balance - GAAP to budget

\$ (206,376)



STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - LANDFILL CLOSURE/POSTCLOSURE FUND  
 BUDGET AND ACTUAL  
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

|  | Budgeted Amounts |              | Actual Amounts<br>GAAP Basis | Adjustments<br>Budget Basis | Actual Amounts<br>Budget Basis | Variance with<br>Final Budget |
|--|------------------|--------------|------------------------------|-----------------------------|--------------------------------|-------------------------------|
|  | Original         | Final        |                              |                             |                                |                               |
| REVENUES                                     |                  |              |                              |                             |                                |                               |
| Investment income                            | \$ 100,000       | \$ 25,000    | \$ 30,446                    | \$                          | \$ 30,446                      | \$ 5,446                      |
| Total revenues                               | 100,000          | 25,000       | 30,446                       |                             | 30,446                         | 5,446                         |
| EXPENDITURES                                 |                  |              |                              |                             |                                |                               |
| Current:                                     |                  |              |                              |                             |                                |                               |
| Public works                                 | 900,000          | 950,000      | 466,931                      |                             | 466,931                        | 483,069                       |
| Total expenditures                           | 900,000          | 950,000      | 466,931                      |                             | 466,931                        | 483,069                       |
| Deficiency of revenues<br>under expenditures | (800,000)        | (925,000)    | (436,485)                    |                             | (436,485)                      | 488,515                       |
| Fund balances--beginning                     | 7,157,851        | 7,157,851    | 7,157,851                    |                             | 7,157,851                      |                               |
| Fund balances--ending                        | \$ 6,357,851     | \$ 6,232,851 | \$ 6,721,366                 | \$                          | \$ 6,721,366                   | \$ 488,515                    |

The accompanying notes are an integral part of the financial statements.

STATEMENT OF NET POSITION  
 PROPRIETARY FUNDS  
 SEPTEMBER 30, 2012

|  | Business-type<br>Activities --<br>Water and Sewer<br>Fund | Governmental<br>Activities --<br>Internal Service<br>Funds |
|--|---|--|
| <b>ASSETS</b>  |   |  |
| Current assets:  |   |  |
| Cash, cash equivalents, and investments  | \$ 7,987,622  | \$ 1,014,299   |
| Receivables (net of allowance for uncollectibles)  | 2,387,654   | 57,328   |
| Accrued interest and other   | 50,692  |  |
| Inventories  |   | 71,585   |
| Prepaid items  | 68,273  | 5,001  |
| Deposits   |   | 29,000   |
| Total current assets   | 10,494,241  | 1,177,213  |
| Noncurrent assets:   |   |  |
| Equity interest in joint venture   | 5,780,763   |  |
| Capital assets:  |   |  |
| Nondepreciable   | 3,178,280   | 8,170  |
| Depreciable, net of accumulated depreciation   | 37,696,042  | 141,287  |
| Total noncurrent assets  | 46,655,085  | 149,457  |
| Total assets   | 57,149,326  | 1,326,670  |
| <b>LIABILITIES</b>   |   |  |
| Current liabilities:   |   |  |
| Accounts payable and other accrued liabilities   | 735,523   | 177,598  |
| Compensated absences   | 44,679  | 24,214   |
| Claims payable   |   | 559,422  |
| Retainage payable  | 97,519  |  |
| Deposits payable   | 199,459   |  |
| Total current liabilities  | 1,077,180   | 761,234  |
| Noncurrent liabilities:  |   |  |
| Compensated absences   | 233,791   | 51,225   |
| Claims payable   |   | 187,572  |
| Other post employment benefits obligation  | 73,943  | 18,801   |
| Total noncurrent liabilities   | 307,734   | 257,598  |
| Total liabilities  | 1,384,914   | 1,018,832  |
| <b>NET POSITION</b>  |   |  |
| Net investment in capital assets   | 40,608,870  | 149,457  |
| Unrestricted   | 15,155,542  | 158,381  |
| Total net position   | \$ 55,764,412   | \$ 307,838   |
| Adjustment to report the cumulative internal balance for the net effect of the activity<br>between the internal service funds and the enterprise funds over time | (26,478)  |  |
| Net position of business-type activities   | \$ 55,737,934   |  |

The accompanying notes are an integral part of the financial statements.

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
 PROPRIETARY FUNDS  
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

|  | Business-type<br>Activities --<br>Water and Sewer<br>Fund | Governmental<br>Activities --<br>Internal Service<br>Funds |
|--|---|--|
| Operating revenues   |   |  |
| Charges for services   | \$ 14,042,029   | \$ 2,284,662   |
| Contributions and miscellaneous  | 17,790  | 4,043,535  |
| Total operating revenues   | 14,059,819  | 6,328,197  |
| Operating expenses   |   |  |
| Personal services  | 1,720,757   | 547,914  |
| Materials and supplies   | 239,833   | 1,513,107  |
| Maintenance and utilities  | 1,005,976   | 223,779  |
| Purchase of water  | 4,500,402   |  |
| Sewage treatment   | 1,892,943   |  |
| Insurance claims and expenses  |   | 4,231,117  |
| Depreciation   | 2,247,787   | 53,186   |
| Total operating expenses   | 11,607,698  | 6,569,103  |
| Operating income (loss)  | 2,452,121   | (240,906)  |
| Nonoperating revenues (expenses)   |   |  |
| Investment income  | 33,868  |  |
| Loss of the joint venture  | (70,013)  |  |
| Total nonoperating expenses  | (36,145)  |  |
| Income (loss) before transfers   | 2,415,976   | (240,906)  |
| Transfers  | (3,388,500)   |  |
| Change in net position   | (972,524)   | (240,906)  |
| Net position--beginning  | 56,736,936  | 548,744  |
| Net position--ending   | \$ 55,764,412   | \$ 307,838   |
| Reconciliation to government-wide statement of net position:   |   |  |
| Change in net position   | \$ (972,524)  |  |
| Adjustment to reflect the consolidation of internal service fund<br>activities related to the water and sewer fund | (34,812)  |  |
| Change in net position of business-type activities   | \$ (1,007,336)  |  |

The accompanying notes are an integral part of the financial statements.

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS  
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

|  | Business-type<br>Activities --<br>Water and Sewer<br>Fund | Governmental<br>Activities --<br>Internal Service<br>Funds |
|--|---|--|
| CASH FLOWS FROM OPERATING ACTIVITIES                         |   |  |
| Receipts from customers                                      | \$ 14,060,891   | \$   |
| Receipts from interfund services provided                    |   | 6,390,029  |
| Payments to suppliers  | (7,189,122)   | (1,806,298)  |
| Payments to employees  | (1,657,090)   | (538,828)  |
| Payments for loss claims                                     |   | (4,094,354)  |
| Payments for interfund services                              | (334,691)   |  |
| Net cash provided by (used for) operating activities         | 4,879,988   | (49,451)   |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES              |   |  |
| Transfers to other funds                                     | (3,388,500)   |  |
| Net cash (used for) noncapital financing activities          | (3,388,500)   |  |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES     |   |  |
| Acquisition and construction of capital assets               | (2,102,548)   |  |
| Net cash (used for) capital and related financing activities | (2,102,548)   |  |
| CASH FLOWS FROM INVESTING ACTIVITIES                         |   |  |
| Sale of investments  | 679,775   |  |
| Investment income  | 16,083  |  |
| Net cash provided by investing activities                    | 695,858   |  |
| Net increase (decrease) in cash and cash equivalents         | 84,798  | (49,451)   |
| Cash and cash equivalents - beginning of year                | 353,950   | 1,063,750  |
| Cash and cash equivalents - end of year                      | \$ 438,748  | \$ 1,014,299   |
| Cash and cash equivalents - end of year                      | \$ 438,748  | \$ 1,014,299   |
| Investments  | 7,548,874   |  |
| Cash, cash equivalents, and investments - end of year        | \$ 7,987,622  | \$ 1,014,299   |
| NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES             |   |  |
| (Loss) of the joint venture                                  | \$ (70,013)   |  |

The accompanying notes are an integral part of the financial statements.

(continued)

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS  
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

|  | Business-type<br>Activities --<br>Water and Sewer<br>Fund | Governmental<br>Activities --<br>Internal Service<br>Funds |
|--|---|--|
| Reconciliation of operating income (loss) to net cash<br>provided by (used for) operating activities:        |   |  |
| Operating income (loss)  | \$ 2,452,121  | \$ (240,906)   |
| Adjustments to reconcile operating income (loss) to<br>net cash provided by (used for) operating activities: |   |  |
| Depreciation   | 2,247,787   | 53,186   |
| Change in assets and liabilities:  |   |  |
| (Increase) in receivables  | (14,286)  | (40,168)   |
| (Increase) in inventory of materials and supplies  |   | (16,452)   |
| Decrease in deposits   |   | 102,000  |
| (Increase) decrease in prepaid items   | 44,718  | (176)  |
| Increase in accounts payable   | 31,917  |  |
| (Decrease) in accrued liabilities  |   | (46,641)   |
| Increase in retainage payable  | 81,879  |  |
| Increase in claims payable   |   | 128,029  |
| Increase in deposits payable   | 15,358  |  |
| Increase in OPEB liability   | 3,981   | 1,212  |
| Increase in accrued compensated absences   | 16,513  | 10,465   |
| Net cash provided by (used for) operating activities   | <u>\$ 4,879,988</u>                                       | <u>\$ (49,451)</u>   |

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Farmers Branch, Texas (the "City") have been prepared in accordance with generally accepted accounting principles in the United States of America ("GAAP") applicable to state and local governments. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting and reporting policies and practices used by the City are described below.

A. Reporting Entity

The City is a municipal corporation governed by an elected mayor and a five-member council. The City was incorporated in 1946 under the Constitution of the State of Texas (Home Rule Amendment). As required by GAAP, these financial statements present the City and its component units, entities for which the City is considered to be financially accountable. A component unit is included in the City's reporting entity if it is both fiscally dependent on the City (the primary government) and there is a potential for the component unit to provide specific financial benefits to, or impose specific financial burdens on the primary government. The primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Because of the closeness of their relationship with the primary government (the City), some component units are blended as though they are part of the primary government. The City's blended component units and joint venture, which all have a September 30 year-end, are as follows:

Blended Component Units

The Taxing Increment Financing District Number One ("TIF No. 1 District") and Taxing Increment Financing District Number Two ("TIF No. 2 District") were created pursuant to the Texas Tax Increment Financing Act, Tax Code Chapter 311, as amended. The purpose of the TIF District No. 1 is to promote development in the Mercer Crossing area. The purpose of the TIF District No. 2 is to promote development in the Old Farmers Branch area. The Districts are reported as capital projects funds and are included as blended component units because the City has operational responsibility for them and manages their activities.

The Farmers Branch Local Government Corporation ("FBLGC") was organized for the purpose of aiding, assisting, and acting on behalf of the City in the exercise of its powers to accomplish any governmental purpose of the City and in the promotion of the common good and general welfare of the City including, without limitation, the furtherance of the promotion, development, encouragement, and maintenance of employment, commerce, economic development and public facility development in the City, and currently to develop oil, natural gas and other mineral interests on behalf of the City. The board members of the FBLGC are appointed by the City Council. The FBLGC is authorized to issue bonds, notes or other obligations after approval by the City Council. Complete financial statements of the FBLGC can be obtained from the City's finance department. The FBLGC has been included as a blended component unit because it is fiscally dependent (the City must approve any issuance of debt) and the purpose of the corporation is to provide a benefit to the City.

Joint Venture

The North Dallas County Water Supply Corporation ("NDCWSC") is a joint venture between the City and the Town of Addison (the "Town") to design, construct, operate, and maintain a joint sanitary sewer interceptor and conventional sewer lines. The NDCWSC, a public instrumentality and nonprofit water supply corporation, was created for that purpose. Upon dissolution of the NDCWSC, the City and Town will share the net position in the proportions stated in an inter-local agreement. The affairs of the NDCWSC are managed by a six-person board of directors appointed by the governing bodies of the City and the Town.

The City and the Town are each obligated to fund construction of the sanitary sewer interceptor in the proportions stated in the inter-local agreement. The City has financed its portion of construction funds through the issuance and sale of assessment revenue bonds and a transfer from previously issued sewer bonds. The City's net investment and its share of the operating results of the NDCWSC are reported in the City's water and sewer fund. The City's equity interest in the NDCWSC was \$5,780,763 at September 30, 2012. Complete financial statements for the NDCWSC can be obtained from the City's finance department.

B. Basis of Presentation

While separate government-wide financial statements (based on the City as a whole) and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds, while business-type activities incorporate data from the City's enterprise fund. Separate financial statements are provided for governmental funds and proprietary funds.

The fund financial statements provide information about the City's funds, including its blended component units. The emphasis of fund financial statements is on major governmental and enterprise funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

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The City reports the following major governmental funds:

The *general fund* is the primary operating fund of the City. It accounts for all financial resources of the City except those required to be accounted for in another fund.

The *landfill closure/postclosure fund* is used to account for future landfill costs.

The City reports the following major proprietary fund:

The *water and sewer fund* is used to account for water and sewer service operations that are financed and operated in a manner similar to private business enterprises. The intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or where the governing body has decided the periodic determination of revenues earned, expenses incurred, or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

The City reports the following internal service funds:

The *internal service funds* are used to account for equipment services and the City's workers' compensation and medical self-insurance programs for the departments of the City on a cost reimbursement basis.

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e. the current portion of interfund loans) or "advances to/from other funds" (i.e. the non-current portion of interfund loans). While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as internal balances in the business-type activities column. Exceptions to this general rule are payments in lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the City's water and sewer functions and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

### C. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus refers to the type of resources being measured such as current financial resources or economic resources. The basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the time of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when a liability is incurred, as under accrual accounting. Debt service expenditures and expenditures related to compensated absences and claims and judgments are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt is reported as an other financing source.

Property, franchise, sales and hotel occupancy taxes, and investment income (including unrealized gains and losses) are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. The portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when the government receives cash.

The proprietary and internal service funds are reported using the economic resources measurement focus and the accrual basis of accounting.

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

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D. Budgetary Information

1) Budgetary Basis of Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund, landfill closure/postclosure fund, special revenue funds, and debt service fund. The capital projects funds are appropriated on a project-length basis and often span a period of more than one year.

The appropriated budget is prepared by fund, department, and function. The City Manager may transfer unencumbered appropriations within a department. City Council approval is necessary for transfers of unencumbered appropriations between departments and funds. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level. Special revenue funds are budgeted at the function level. Appropriations, except remaining project appropriations and encumbrances, lapse at the end of the fiscal year.

2) Excess of Expenditures over Appropriations

For the year ended September 30, 2012, expenditures in the general fund's finance division exceeded appropriations by \$46,340 and the fire division exceeded appropriations by \$251,402. These were both planned purchases of capital assets from fund balance and were approved by City Council.

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

1) Cash and Cash Equivalents

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

2) Investments

Investments are recorded at fair value (based on quoted market prices), except for investments with maturity of one year or less from date of purchase, which are stated at amortized cost, and except for the position in TexPool. In accordance with state law, TexPool operates in conformity with all of the requirements of the Securities and Exchange Commission's (SEC) Rule 2a7 as promulgated under the Investment Company Act of 1940, as amended. Accordingly, TexPool qualifies as a 2a7-like pool and is reported at the net asset value per share (which approximates fair value) even though it is calculated using the amortized cost method.

3) Receivables

All trade and property tax receivables are shown net of an allowance for uncollectible accounts. Trade accounts receivable in excess of 90 days comprise the trade accounts receivable allowance for uncollectible accounts. The property tax receivable allowance is equal to 5% of outstanding property taxes at September 30, 2012.

4) Inventories and Prepaid Items

Inventories are stated at the lower of average cost or market for the internal service funds and for the inventory of land held for resale in the general fund and special revenue funds. All other inventories in the special revenue funds are stated at average cost. Inventories are recorded as assets when purchased and charged to operations when used.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

5) Capital Assets

Capital assets include land, buildings, equipment, improvements, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), and intangible assets (e.g., software, websites). Capital assets purchased, acquired or developed, are carried at historical cost or estimated historical cost if historical cost is not available. Contributed assets are recorded at fair market value as of the date donated. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed. Insurance recoveries of \$548,238 were received for the year ended September 30, 2012. They are included as an "other financing source" in the general and nonmajor governmental funds.

Beginning October 1, 2011, the city increased the capitalization threshold for infrastructure assets from \$5,000 to \$100,000. This change in capitalization threshold was not retroactive. All infrastructure assets placed in service prior to October 1, 2011, with an initial capitalization cost of \$5,000 or greater will remain capitalized. The capitalization threshold of \$5,000 is unchanged for all other capital assets.



NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

Land and construction in progress are not depreciated. The other property, plant, equipment, and infrastructure of the primary government are depreciated on the straight-line basis over the following estimated useful lives:

| <u>Capital asset classes</u>        | <u>Lives</u>    |
|-------------------------------------|-----------------|
| Buildings                           | 30 - 50 years   |
| Equipment                           | 5 - 30 years    |
| Improvements                        | 20 years        |
| Intangible assets-software/websites | 5 years         |
| Infrastructure                      | 15 - 62.5 years |

6) Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position and or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has only one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunded debt results from the difference in the carrying value of the refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position and or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The governmental funds report unavailable revenues from the following sources:

|   | General            | Nonmajor         |                    |
|---|--------------------|------------------|--------------------|
|   | Fund               | Governmental     | Total              |
|   |                    | Funds            |                    |
| Property taxes                                | \$770,714          | \$125,675        | \$896,389          |
| Ambulance                                     | 126,354            |                  | 126,354            |
| Franchise taxes - electric                    | 661,296            |                  | 661,296            |
| Charges for services - culture and recreation | 50,661             |                  | 50,661             |
| Donations                                     |                    | 6,135            | 6,135              |
| Special assessments                           |                    | 31,815           | 31,815             |
| Tax increment financing                       |                    | 271,108          | 271,108            |
| Total   | <u>\$1,609,025</u> | <u>\$434,733</u> | <u>\$2,043,758</u> |

7) Net Position Flow Assumptions

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g. restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to be reported as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

The net investment in capital assets for the business-type activities is reported net of related debt in the amount of \$265,452, which represents account and retainage payables for capital asset activity.

The governmental activities unrestricted net position is a negative balance of \$14,520,916 at September 30, 2012. The City plans to gradually eliminate this negative balance by expanding the current landfill and therefore extending the closure period liability for 40 additional years.

8) Fund Balance Flow Assumptions

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). When fund balance resources are available for a specific purpose in more than one classification, it is the City's policy to use the most restrictive funds first in the following order: restricted, committed, assigned, and unassigned as they are needed.

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

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9) Fund Balance Policies

The following fund balance classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance—amounts that are not in a spendable form (such as inventory) or are required to be maintained intact;
- Restricted fund balance—amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;
- Committed fund balance—amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;
- Assigned fund balance—amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;
- Unassigned fund balance—amounts that are available for any purpose; positive amounts are reported only in the general fund.

City Council establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by City Council through adoption or amendment of the budget as intended for specific purpose (such as the purchase of capital assets, construction, debt service, or for other purposes).

In the general fund, the City strives to maintain a target range of unassigned fund balance to be used for unanticipated emergencies with a low end of 15% and a high end of 20% of the actual GAAP basis expenditures and other financing sources and uses.

F. Revenues and Expenditures/Expenses

1) Program Revenues

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

2) Property Taxes

The City's property taxes are levied each October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the City. Assessed values are established at 100% of estimated market value. Property taxes attach as an enforceable lien on property as of January 1. Taxes are due by January 31 following the October 1 levy date and are considered delinquent after January 31 of each year.

3) Compensated Absences

The City's employees earn vacation leave (up to a maximum of 192 hours per year) based on days employed. Upon retirement or termination, payment of accumulated vacation may not exceed that which can be accumulated within two years for employees hired prior to January 1, 2011 and within one and a half years for employees hired on or after January 1, 2011. Unused sick leave, based on days employed, may be accumulated up to certain limits. Upon retirement or termination, a maximum of 720 hours of sick pay is paid for 40 hours per week employees or 1,080 hours for 56 hours per week employees hired before October 1, 1992. Upon retirement or termination, employees hired between October 1, 1992 and December 31, 2010 with five years or less of service will be paid a maximum of 120 hours of sick pay for 40 hours per week employees or 180 hours for 56 hours per week employees. Upon retirement or termination, employees hired between October 1, 1992 and December 31, 2010 with more than five years of service will be paid a maximum of 240 hours of sick pay for 40 hours per week employees or 360 hours for 56 hours per week employees. Employees hired on or after January 1, 2011 receive no payout for unused sick leave upon retirement or termination.

4) Proprietary Funds Operating and Nonoperating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water and sewer fund and the government's internal service funds are charges to customers for sales and services. Operating expenses for water and sewer funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Position

The governmental fund balance sheet includes a reconciliation between *fund balance - total governmental funds* and *net position - governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that "capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds." The details of the \$122,678,269 are as follows:

|  |                      |
|--|----------------------|
| Land and rights of way   | \$ 40,637,100        |
| Construction in progress   | 3,649,327            |
| Improvements   | 9,984,308            |
| Less: Accumulated depreciation-improvements  | (5,468,602)          |
| Buildings  | 47,979,119           |
| Less: Accumulated depreciation-buildings   | (10,693,426)         |
| Equipment  | 22,858,976           |
| Less: Accumulated depreciation-equipment   | (17,412,985)         |
| Infrastructure   | 94,650,850           |
| Less: Accumulated depreciation-infrastructure  | (63,594,350)         |
| Intangible assets  | 1,005,632            |
| Less: Accumulated depreciation-intangible assets   | (917,680)            |
| Net adjustment to increase <i>fund balance - total government funds</i> to arrive at <i>net position - governmental activities</i> | <u>\$122,678,269</u> |

Another element of that reconciliation explains that "internal service funds are used by management to charge the costs of certain activities, such as fleet management and workers' compensation and medical self-insurance programs, to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net position." The details of this \$334,316 difference are as follows:

|  |                  |
|--|------------------|
| Net position of the internal service funds   | \$307,838        |
| Less: Internal receivable representing charges in below cost to business-type activities - prior years                             | (8,334)          |
| Less: Internal receivable representing charges in excess of cost to business-type activities - current year                        | 34,812           |
| Net adjustment to increase <i>fund balance - total government funds</i> to arrive at <i>net position - governmental activities</i> | <u>\$334,316</u> |

The final element of that reconciliation explains that "long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds." The details of this \$60,212,057 difference are as follows:

|  |                     |
|--|---------------------|
| Bonds payable  | \$21,145,000        |
| Less: Deferred charge on refunding (to be amortized as interest expense)   | (212,239)           |
| Add: Issuance premium (to be amortized over life of debt)  | 144,001             |
| Developer advances   | 7,868,887           |
| Accrued interest payable   | 6,484,846           |
| Compensated absences   | 5,683,181           |
| Net pension obligation   | 3,182,487           |
| Net other postemployment benefits obligation   | 986,026             |
| Landfill liability   | 14,929,868          |
| Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net position - governmental activities</i> | <u>\$60,212,057</u> |

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

**B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-Wide Statement of Activities**

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.” The details of this \$40,503 difference are as follows:

|  |               |
|--|---------------|
| Capital outlay   | (\$4,880,937) |
| Depreciation expense   | 4,921,440     |
|  | <hr/>         |
| Net adjustment to decrease <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i> | \$40,503      |
|  | <hr/>         |

Another element of that reconciliation states, “The net effect of various miscellaneous transactions involving capital assets (i.e., sales and donations) is to increase net position.” The details of this \$1,356,155 difference are as follows:

|   |             |
|---|-------------|
| In the statement of activities, only the <i>loss</i> on the sale of capital assets is reported.   |             |
| However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the cost of the capital assets sold. | \$1,374,935 |
| Donations of capital assets increase net position in the statement of activities, but do not appear in the governmental funds because they are not financial resources.                                       | (18,780)    |
|   | <hr/>       |
| Net adjustment to decrease <i>total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>   | \$1,356,155 |
|   | <hr/>       |

Another element of that reconciliation states that “the issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statements of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.” The details of this \$3,616,193 difference are as follows:

|   |               |
|---|---------------|
| Debt issued or incurred:  |               |
| General obligation refunding and improvement bonds issued   | (\$7,035,000) |
| Plus premium  | (19,057)      |
| Principal repayments:   |               |
| General obligation debt   | 2,585,000     |
| Special revenue debt  | 885,000       |
| Payment to escrow agent for refunding   | 6,950,250     |
| Developer advances  | 250,000       |
|   | <hr/>         |
| Net adjustment to increase <i>total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i> | \$3,616,193   |
|   | <hr/>         |

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

Another element of that reconciliation states that "some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds." The details of this \$1,028,188 difference are as follows:

|   |                    |
|---|--------------------|
| Compensated absences  | (\$277,418)        |
| Arbitrage liability   | (2,355)            |
| Net pension obligation  | 30,973             |
| Net other post employment benefits obligation   | 48,975             |
| Accrued interest on long-term debt  | 869,354            |
| Amortization of bond premiums   | (8,622)            |
| Amortization of bond discounts  | 1,226              |
| Amortization of deferred charge on refunding  | 30,960             |
| Landfill liability  | 335,095            |
| Net adjustment to decrease <i>total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i> | <u>\$1,028,188</u> |

Another element of that reconciliation states that "internal service funds are used by management to charge the costs of fleet management, workers' compensation, and health claims, to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities." The details of this \$206,094 difference are as follows:

|  |                  |
|--|------------------|
| Change in net position of the internal service funds   | \$240,906        |
| Plus: gain from charges to business-type activities  | <u>(34,812)</u>  |
| Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i> | <u>\$206,094</u> |

C. Explanation of Certain Differences Between the Proprietary Fund Statement of Net Position and the Government-Wide Statement of Net Position

The proprietary fund statement of net position includes a reconciliation between *net position - total enterprise funds* and *net position of business-type activities* as reported in the government-wide statement of net position. The description of the only item of that reconciliation is "adjustment to report the cumulative internal balance for the net effect of the activity between the internal service funds and the enterprise funds over time." The details of the \$26,478 difference are as follows:

|   |                 |
|---|-----------------|
| Internal payable representing charges in excess of cost to business-type activities - prior years   | (\$8,334)       |
| Internal payable representing charges below cost to business-type activities - current year   | <u>34,812</u>   |
| Net adjustment to decrease <i>net position - total enterprise funds</i> to arrive at <i>changes in net position of business-type activities</i> | <u>\$26,478</u> |

3. DETAILED NOTES ON ALL FUNDS

A. Cash Deposits with Financial Institutions

At year-end, the carrying amount of the City's deposits was (\$18,136) and the bank balance was \$508,388. The bank balance was completely covered by federal depository insurance or by collateral held by the City's agent in the City's name. At year-end, the carrying amount of the Farmers Branch Local Government Corporation, blended component unit's bank balance was \$40,683. The bank balance was completely covered by federal depository insurance.

B. Investments

TexPool operates in accordance with state law, which requires that it meet all of the requirements of Rule 2a-7 of the Securities and Exchange Commission. See note I.E.2, *Investments*, for a discussion of how the shares in the Pool are valued. TexPool has a credit rating of AAA from Standard & Poor's Financial Services. Local government investment pools in this rating category meet the highest standards for credit quality, conservative investment policies, and safety of principal. TexPool invests in a high quality portfolio of debt securities investments legally permissible for municipalities and school districts in the state.

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

To maximize investment opportunities, all funds (excluding the debt service fund and the internal service funds) participate in a pooling of cash and investment income. Each fund may liquidate its equity in the pool on demand.

State statutes, City bond ordinances, and City resolutions authorize the City's investments. The City is authorized to invest in U.S. Government obligations and its agencies or instrumentalities, direct obligations of Texas and its agencies and instrumentalities, obligations of states, agencies, counties, cities and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent rating, insured or collateralized certificates of deposit, fully collateralized repurchase agreements, and government pools.

The City elects to exclude investments with maturity of one year or less from date of purchase from fair value reporting. These investments are reported at amortized cost. As of September 30, 2012, the City had the following investments:

| Description                              | Reported<br>Amount   | Fair<br>Value        | Weighted Average<br>Maturity<br>(in days) |
|--|----------------------|----------------------|---|
| Municipal Obligations                    | \$ 3,059,798         | \$ 3,059,798         | 210                                       |
| Tex Pool                                 | 2,974,045            | 2,974,045            | 41  |
| Certificates of Deposit Account Registry | 2,500,000            | 2,500,000            | 508                                       |
| Federal National Mortgage Association    | 13,991,624           | 13,992,830           | 167                                       |
| Federal Home Loan Mortgage Corporation   | 5,560,812            | 5,561,837            | 78  |
| Federal Home Loan Bank Notes             | 4,868,347            | 4,868,347            | 35  |
| Total Investments                        | <u>\$ 32,954,626</u> | <u>\$ 32,956,857</u> |   |
| Portfolio Weighted Average Maturity      |                      |                      | 270                                       |

*Interest Rate Risk.* In accordance with its investment policy, the City manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to eighteen months (548 days).

*Credit Risk.* The City's investment policy is to apply the "prudent investor" standard: "Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived." The City's investments were rated as follows:

Credit Quality Distribution for Securities  
with Credit Exposure as a Percentage of Total Investments

|  |          |     |
|--|----------|-----|
| Municipal Obligations                  | Aaa/AAA* | 4%  |
| Tex Pool                               | Aaa/AAA  | 9%  |
| Federal Home Loan Mortgage Corporation | Aaa/AA   | 17% |
| Federal Home Loan Bank                 | Aaa/AA   | 15% |
| Municipal Obligations                  | Aa/AA    | 5%  |
| Federal National Mortgage Association  | Aa/A     | 42% |

\*Aaa/AAA is the highest credit quality issued by Moody's Investor's Services, and by Standard & Poor's, respectively.

*Concentration of Credit Risk.* The City places no limit on the amount the City may invest in any one issuer. However, the City's investment policy calls for portfolio diversification by avoiding over-concentration in a specific maturity sector or specific instruments. The City's portfolio is 14.77% invested in Federal Home Loan Bank, 9.28% invested in Municipal Obligations, and 7.59% in Certificates of Deposit Account Registry as of September 30, 2012. The remaining 68.36% of the City's investments is invested in U.S. government issues, U.S. guaranteed obligations, or an external investment pool.

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

C. Receivables

Receivables as of year-end for the government's individual major funds and nonmajor and internal service funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

|                                       | General      | Nonmajor<br>Governmental | Internal<br>Service | Water<br>and<br>Sewer | Total        |
|---------------------------------------|--------------|--------------------------|---------------------|-----------------------|--------------|
| Receivables:                          |              |                          |                     |                       |              |
| Property tax                          | \$ 822,966   | \$ 132,289               | \$                  | \$                    | \$ 955,255   |
| Other taxes                           | 3,852,026    | 240,394                  |                     |                       | 4,092,420    |
| Accounts                              | 2,444,600    | 131,995                  | 57,328              | 1,020,086             | 3,654,009    |
| Unbilled accounts                     |              |                          |                     | 1,471,516             | 1,471,516    |
| Assessments                           |              | 316,441                  |                     |                       | 316,441      |
| Gross receivables                     | 7,119,592    | 821,119                  | 57,328              | 2,491,602             | 10,489,641   |
| Less: Allowance<br>for uncollectibles | (1,509,982)  | (20,132)                 |                     | (103,948)             | (1,634,062)  |
| Net total receivables                 | \$ 5,609,610 | \$ 800,987               | \$ 57,328           | \$ 2,387,654          | \$ 8,855,579 |

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

D. Capital Assets

Capital asset activity for the year ended September 30, 2012 was as follows:

|  | Primary Government   |                         |                           |                   |
|--|----------------------|-------------------------|---------------------------|-------------------|
|  | Beginning<br>Balance | Additions/<br>Transfers | Retirements/<br>Transfers | Ending<br>Balance |
| Governmental activities:                     |                      |                         |                           |                   |
| Capital assets, not being depreciated:       |                      |                         |                           |                   |
| Land and rights of way                       | \$ 41,614,156        | \$ 147,662              | \$ (1,116,548)            | \$ 40,645,270     |
| Construction in progress                     | 5,137,756            | 278,991                 | (1,767,420)               | 3,649,327         |
| Total capital assets, not being depreciated  | 46,751,912           | 426,653                 | (2,883,968)               | 44,294,597        |
| Capital assets, being depreciated            |                      |                         |                           |                   |
| Improvements                                 | 9,546,258            | 438,050                 |                           | 9,984,308         |
| Buildings                                    | 44,533,988           | 3,817,933               |                           | 48,351,921        |
| Equipment                                    | 22,833,196           | 1,745,136               | (1,345,413)               | 23,232,919        |
| Infrastructure                               | 94,425,147           | 239,365                 | (13,662)                  | 94,650,850        |
| Intangible assets - software/websites        | 1,030,575            |                         | (24,943)                  | 1,005,632         |
| Total capital assets, being depreciated      | 172,369,164          | 6,240,484               | (1,384,018)               | 177,225,630       |
| Less accumulated depreciation for:           |                      |                         |                           |                   |
| Improvements                                 | (5,045,063)          | (423,539)               |                           | (5,468,602)       |
| Buildings                                    | (9,932,956)          | (1,002,313)             |                           | (10,935,269)      |
| Equipment                                    | (17,443,662)         | (1,444,907)             | 1,111,969                 | (17,776,600)      |
| Infrastructure                               | (61,537,826)         | (2,070,186)             | 13,662                    | (63,594,350)      |
| Intangible assets - software/websites        | (883,999)            | (33,681)                |                           | (917,680)         |
| Total accumulated depreciation               | (94,843,506)         | (4,974,626)             | 1,125,631                 | (98,692,501)      |
| Total capital assets, being depreciated, net | 77,525,658           | 1,265,858               | (258,387)                 | 78,533,129        |
| Governmental activities capital assets, net  | \$ 124,277,570       | \$ 1,692,511            | \$ (3,142,355)            | \$ 122,827,726    |
| Business-type activities:                    |                      |                         |                           |                   |
| Capital assets, not being depreciated:       |                      |                         |                           |                   |
| Land and rights of way                       | \$ 603,364           | \$                      | \$                        | \$ 603,364        |
| Construction in progress                     | 883,907              | 1,951,531               | (260,522)                 | 2,574,916         |
| Total capital assets, not being depreciated  | 1,487,271            | 1,951,531               | (260,522)                 | 3,178,280         |
| Capital assets, being depreciated:           |                      |                         |                           |                   |
| Improvements                                 | 23,206               |                         |                           | 23,206            |
| Buildings                                    | 9,116,269            |                         |                           | 9,116,269         |
| Equipment                                    | 3,269,563            | 441,062                 |                           | 3,710,625         |
| Infrastructure                               | 76,738,483           |                         | (29,523)                  | 76,708,960        |
| Total capital assets, being depreciated      | 89,147,521           | 441,062                 | (29,523)                  | 89,559,060        |
| Less accumulated depreciation for:           |                      |                         |                           |                   |
| Improvements                                 | (20,886)             | (1,547)                 |                           | (22,433)          |
| Buildings                                    | (6,104,658)          | (240,413)               |                           | (6,345,071)       |
| Equipment                                    | (2,277,983)          | (245,374)               |                           | (2,523,357)       |
| Infrastructure                               | (41,211,704)         | (1,760,453)             |                           | (42,972,157)      |
| Total accumulated depreciation               | (49,615,231)         | (2,247,787)             |                           | (51,863,018)      |
| Total capital assets, being depreciated, net | 39,532,290           | (1,806,725)             | (29,523)                  | 37,696,042        |
| Business-type activities capital assets, net | \$ 41,019,561        | \$ 144,806              | \$ (290,045)              | \$ 40,874,322     |



**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012**

The preceding schedule includes internal service assets in the governmental activities. Internal service fund depreciation expense is allocated to the primary government based on each function's or program's usage of its services.

Depreciation expense (includes amortization expense of intangible assets) was charged to functions/programs of the primary government as follows:

|   |                     |
|---|---------------------|
| <b>Governmental activities:</b>   |                     |
| General government  | \$ 243,162          |
| Public safety   | 1,025,612           |
| Public works, which includes the depreciation<br>of general infrastructure assets | 2,279,715           |
| Culture and recreation  | 1,299,673           |
| Unallocated   | 126,464             |
| Total depreciation expense - governmental activities                              | <u>\$ 4,974,626</u> |
| <b>Business-type activities:</b>  |                     |
| Water and sewer   | \$ 2,247,787        |
| Total depreciation expense business-type activities                               | <u>\$ 2,247,787</u> |

Construction Commitments and Other Significant Commitments Including Encumbrances

The City has entered into several construction contracts during the fiscal year, which include street improvements, replacement of water mains, and the construction of municipal facilities. As of September 30, 2012, the City had outstanding construction contracts totaling \$1,419,751 that will be financed from operating funds. Other significant commitments include the encumbrances outstanding for the general fund and non-major funds other than capital projects as shown below.

|   |   |
|---|---|
|   | <b>Construction<br/>Commitments/<br/>Encumbrances</b> |
| Water and sewer fund                        | \$ 853,551  |
| Non-major capital projects funds            | 566,200   |
| Total                                       | <u>\$ 1,419,751</u>                                   |
|   | <b>Encumbrances</b>                                   |
| General fund for capital assets             | \$ 4,726  |
| General fund for other purposes             | 479,907   |
| General fund for economic development       | 7,500   |
| Non-major funds other than capital projects | 196,857   |
| Total                                       | <u>\$ 688,990</u>                                     |

**E. Interfund Receivables, Payables, and Transfers**

Interfund balances at September 30, 2012 consisted of the following:

Due to / from other funds:

| <u>Receivable Fund</u> | <u>Payable Fund</u>                     | <u>Amount</u> |
|------------------------|---|---------------|
| General fund           | Nonmajor governmental fund - Grant fund | \$ 24,000     |

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

Purpose of Due To / From Other Funds

Due to/from transactions are used for short-term interfund loans. The outstanding balance for the grant fund is the result of a time lag between the date the grant revenue was received and the date the qualifying grant expenditure was made.

Government interfund transfers during the year ended September 30, 2012 were as follows:

|                             | TRANSFERS IN        |                          |                     |
|-----------------------------|---------------------|--------------------------|---------------------|
|                             | General             | Nonmajor<br>Governmental |                     |
| TRANSFERS OUT               | Fund                | Funds                    | Total               |
| Nonmajor governmental funds | \$ 561,273          | \$ 1,057,820             | \$ 1,619,093        |
| Water and sewer fund        | 3,388,500           |                          | 3,388,500           |
| Total                       | <u>\$ 3,949,773</u> | <u>\$ 1,057,820</u>      | <u>\$ 5,007,593</u> |

Eliminations

Interfund receivables, payables, and transfers are reported in the governmental and proprietary fund financial statements. In the entity-wide statements, interfund receivables, payables, and transfers are eliminated within the governmental activities column and business-type column, as appropriate.

Purpose of Transfers

Transfers are used to (1) move unrestricted revenues to finance various programs in accordance with budgetary authorizations, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) for the water and sewer fund to the general fund for a payment in lieu of taxes.

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

F. Long-Term Liabilities

General Obligation Bonds – The City of Farmers Branch issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for governmental activities. General obligation bonds are direct obligations and pledge the full faith and credit of the city. These bonds are generally issued as serial bonds with equal amounts of principal maturing each year with maturities that range from 5 to 20 years. The city is required to compute, at the time taxes are levied, the rate of tax required to provide a fund to pay interest and principal at maturity. The city is in compliance with this requirement. The original amount of general obligation bonds issued in prior years was \$15,470,000.

Special Revenue Bonds – The City of Farmers Branch issued special revenue bonds to provide funds for the acquisition and construction of a community ice-skating and conference facility including public parking areas. Special revenue bonds are payable from the hotel occupancy tax and lease payments from the Dallas Stars with any deficiency to be paid from lessee deposits and/or from ad valorem taxes. The original amount of special revenue bonds issued in prior years is \$8,725,000.

Bonds payable at September 30, 2012 are comprised of the following individual issues:

|  | Sale<br>Date | Original<br>Borrowing | Interest<br>Rates to<br>Maturity (%) | Final<br>Maturity | Outstanding<br>Sept. 30, 2012 |
|--|--------------|-----------------------|--------------------------------------|-------------------|-------------------------------|
| <b>Governmental Activities:</b>                    |              |                       |                                      |                   |                               |
| General Obligation Bonds:                          |              |                       |                                      |                   |                               |
| Certificates of obligation, taxable                | 2009         | \$ 10,000,000         | 1.50 - 5.22                          | 2024              | \$ 8,355,000                  |
| General obligation refunding and improvement bonds | 2010         | 5,470,000             | 2.00 - 4.00                          | 2030              | 5,240,160                     |
| Total General Obligation Bonds                     |              | <u>15,470,000</u>     |                                      |                   | <u>13,595,160</u>             |
| Special Revenue Bonds:                             |              |                       |                                      |                   |                               |
| General obligation refunding and improvement bonds | 2010         | 1,690,000             | 2.00 - 4.00                          | 2014              | 901,138                       |
| General obligation refunding bonds, taxable        | 2011         | 7,035,000             | 0.44 - 4.00                          | 2025              | 6,792,703                     |
| Total Special Revenue Bonds                        |              | <u>8,725,000</u>      |                                      |                   | <u>7,693,841</u>              |
| Total Governmental Activities                      |              | <u>\$ 24,195,000</u>  |                                      |                   | <u>\$ 21,289,001</u>          |

Advance Refunding – The City issued \$7,035,000 in Taxable General Obligation Refunding Bonds, Series 2011 with interest rates ranging from 0.44% to 4.00%. The net proceeds were used to advance refund \$6,743,421 of outstanding Combination Tax and Revenue Certificates of Obligation, Taxable Series 2004 which had interest rates ranging from 4.95% to 5.80%. The net proceeds of \$6,950,250 (including a \$19,057 premium and after payment of \$108,637 in underwriting fees and other issuance costs) were deposited in an irrevocable trust with an escrow agent to provide funds for the future debt service payment on the refunded bonds. As a result, the Combination Tax and Revenue Certificates of Obligation, Taxable Series 2004 special revenue bonds are considered defeased and the liability for those bonds has been removed from the statement of net position.

The reacquisition price exceeded the net carrying amount of the old debt by \$206,829. This amount is being netted against the new debt and amortized over the remaining life of the refunding debt. The City advance refunded the Combination Tax and Revenue Certificates of Obligation, Taxable Series 2004 special revenue bonds to reduce its total debt service payments over 14 years by \$2,446,679 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$1,392,618.

Legal Debt Margin – The City is permitted by Article XI, Section 5, of the State of Texas Constitution to levy taxes up to \$2.50 per \$100 of assessed valuation for general governmental services including the payment of principal and interest on general obligation long-term debt.

Calculation of Legal Debt Margin – September 30, 2012

|  |                                 |
|--|---------------------------------|
| Adjusted Tax Base Valuation                      | \$3,631,789,854                 |
| Constitutional Limit                             | 2.5% of assessed valuation      |
| Maximum Constitutional Revenue Available         | \$90,794,746                    |
| Tax Rate to Achieve Maximum Tax Revenue          | \$2.5000 per \$100 of valuation |
| Adopted Tax Rate for Fiscal Year 2011-12         | \$0.5295 per \$100 of valuation |
| Available Unused Constitutional Maximum Tax Rate | \$1.9705 per \$100 of valuation |

Developer Advances – In prior years, the City entered into a development agreement, whereby American Realty Trust, Inc., Income Opportunity Realty Investors, Inc., and Transcontinental Realty Investors, Inc. agreed to advance funds to the City for project construction costs in Tax Increment Financing District No. 1 ("TIF No. 1"). The funds advanced and interest payable may be reimbursed only from the TIF No. 1 fund to the extent such funds are on deposit in the fund. Interest accrues beginning from the date the funds are received by the City. The interest rate is the lower of six percent or the developer's actual cost of funds. This interest is calculated on a simple straight-line basis semiannually on the unpaid balance plus accrued interest to date.

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

Landfill Closure and Postclosure Costs – The City owns a sanitary landfill site located in the city of Lewisville, Texas. On October 1, 2008, the City renewed a previous ten-year contract with Allied Waste North America, Inc. ("Allied Waste") for the operation and management of the landfill. The current agreement continues until all permitted air space has been filled with waste material.

The landfill operates on a "cell" basis and state and federal laws require the City to close the landfill once its capacity is reached and to monitor and maintain the site for 30 subsequent years. The site capacity of 24.5 million cubic yards will be reached in approximately 24 years. The City recognizes a portion of the final closure and postclosure care liability in each operating period even though actual final payout will not occur until the landfill is completely closed.

The amount recognized as a liability is based on the landfill capacity used as of the balance sheet date. As of September 30, 2012, the City had incurred a liability of \$14,929,868, which represents the amount of costs estimated to date based on 71% of landfill capacity used to date. This amount includes a reduction of \$341,037 for closure related expenditures paid during fiscal year 2012. The remaining estimated liability for these costs is \$5,504,868, which will be recognized as the remaining capacity is used. Additionally, during the term of the agreement the City is required to maintain a special revenue fund for future landfill closure and postclosure costs and has restricted the fund balance of \$6,721,366 for these costs. The estimated cost of closure and postclosure care are subject to changes such as the effects of inflation, revision of laws, and other variables.

Changes in long-term liabilities - Changes in the City's long-term liabilities for the year ended September 30, 2012 are as follows:

|   | Balance at<br>Beginning of<br>Year | Increase      | Decrease        | Balance at End<br>of Year | Due Within<br>One Year |
|---|------------------------------------|---------------|-----------------|---------------------------|------------------------|
| <u>Governmental activities</u>              |                                    |               |                 |                           |                        |
| General obligation bonds                    | \$ 16,080,000                      | \$            | \$ (2,585,000)  | \$ 13,495,000             | \$ 750,546             |
| Special revenue bonds                       | 8,250,000                          | 7,035,000     | (7,635,000)     | 7,650,000                 | 858,076                |
| Premium                                     | 133,566                            | 19,057        | (8,622)         | 144,001                   | 8,622                  |
| Discount                                    | (7,805)                            | 7,805         |                 |                           |                        |
| Total bonds payable                         | 24,455,761                         | 7,061,862     | (10,228,622)    | 21,289,001                | 1,617,244              |
| Developer advances                          | 8,118,887                          |               | (250,000)       | 7,868,887                 |                        |
| Compensated absences                        | 6,025,573                          | 2,004,772     | (2,271,725)     | 5,758,620                 | 526,275                |
| Arbitrage liability                         | 2,355                              |               | (2,355)         |                           |                        |
| Net pension obligation                      | 3,151,514                          | 4,794,527     | (4,763,554)     | 3,182,487                 |                        |
| Other post employment benefits obligation   | 954,640                            | 319,691       | (269,504)       | 1,004,827                 |                        |
| Claims                                      | 618,965                            | 3,681,421     | (3,553,392)     | 746,994                   | 551,305                |
| Landfill closure and postclosure care costs | 14,594,773                         | 676,132       | (341,037)       | 14,929,868                |                        |
| Governmental activities long-term debt      | \$ 57,922,468                      | \$ 18,538,405 | \$ (21,680,189) | \$ 54,780,684             | \$ 2,694,824           |
| <u>Business-type activities</u>             |                                    |               |                 |                           |                        |
| Compensated absences                        | \$ 261,957                         | \$ 123,487    | \$ (106,974)    | \$ 278,470                | \$ 44,679              |
| Other post employment benefits obligation   | 69,962                             | 25,355        | (21,374)        | 73,943                    |                        |
| Business-type activities long-term debt     | \$ 331,919                         | \$ 148,842    | \$ (128,348)    | \$ 352,413                | \$ 44,679              |
| Total                                       | \$ 58,254,387                      | \$ 18,687,247 | \$ (21,808,537) | \$ 55,133,097             | \$ 2,739,503           |

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the totals for governmental activities. At year-end, internal service fund liabilities for claims payable of \$746,994, compensated absences of \$75,439, and other post employment benefits obligation (OPEB) of \$18,801 are included in the above amounts. Also, for the governmental activities, claims payable, compensated absences, and OPEB and net pension obligation are generally liquidated by the general fund and hotel/motel fund. The developer advances will be liquidated from the TIF No. 1 District capital projects fund. The landfill closure and postclosure care costs will be liquidated from the landfill closure/postclosure fund.

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

The debt service requirements for each bond type are as follows:

Governmental Activities:

| Year Ending<br>September 30 | <u>General Obligation Bonds</u> |              |               | <u>Special Revenue Bonds</u> |              |              |
|-----------------------------|---------------------------------|--------------|---------------|------------------------------|--------------|--------------|
|                             | Principal                       | Interest     | Total         | Principal                    | Interest     | Total        |
| 2013                        | \$ 750,546                      | \$ 557,330   | \$ 1,307,876  | \$ 858,076                   | \$ 193,725   | \$ 1,051,801 |
| 2014                        | 780,546                         | 536,391      | 1,316,937     | 873,076                      | 181,206      | 1,054,282    |
| 2015                        | 810,546                         | 510,937      | 1,321,483     | 428,076                      | 171,436      | 599,512      |
| 2016                        | 840,546                         | 481,851      | 1,322,397     | 438,076                      | 165,171      | 603,247      |
| 2017                        | 875,546                         | 448,117      | 1,323,663     | 443,076                      | 157,357      | 600,433      |
| 2018-2022                   | 5,012,730                       | 1,599,862    | 6,612,592     | 2,415,380                    | 611,287      | 3,026,667    |
| 2023-2027                   | 3,377,730                       | 483,027      | 3,860,757     | 2,238,081                    | 178,258      | 2,416,339    |
| 2028-2030                   | 1,146,970                       | 69,200       | 1,216,170     |                              |              |              |
| Total                       | \$ 13,595,160                   | \$ 4,686,715 | \$ 18,281,875 | \$ 7,693,841                 | \$ 1,658,440 | \$ 9,352,281 |

G. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; natural disasters; and, injuries to employees. A Schedule of Insurance Policies in Force showing the type of coverage, deductible, and liability limit is shown in Table 18 on page 100.

Workers' Compensation Insurance - The City has established the workers' compensation fund (an internal service fund) to account for workers' compensation uninsured risks of loss. Under this program, the workers' compensation fund provides coverage for up to a maximum of \$350,000 for each workers' compensation occurrence claim.

The costs associated with this self-insurance plan are funded by charges to the City's other funds. Liabilities include provisions for claims reported and claims incurred, but not reported. The provision for reported claims is computed by the City's third party administrator based upon standard actuarial principles. The provision for claims incurred, but not yet reported, is estimated based on the City's experience and an actuarial study that was performed during fiscal year 2011. State law provides that the City is relieved of liability if a notice of employee injury has not been received within 30 days of the date on which the injury occurs.

At September 30, 2012, the amount of workers' compensation liabilities was \$334,950. Liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. The liability for unpaid claims includes allocated loss adjustment expenses (ALAE), which are primarily legal expenses. Changes in the balance of claims liability during the past two years are as follows:

| <u>Fiscal Year</u> | <u>Beginning Fiscal Year Liability</u> | <u>Claims Incurred</u> | <u>Claims Payments</u> | <u>Changes in Estimates</u> | <u>Ending Fiscal Year Liability</u> |
|--------------------|--|------------------------|------------------------|-----------------------------|-------------------------------------|
| 2010-2011          | \$421,320                              | \$71,727               | (\$161,030)            | (\$74,828)                  | \$257,189                           |
| 2011-2012          | \$257,189                              | \$33,310               | (\$119,986)            | \$164,437                   | \$334,950                           |

At September 30, 2012, workers' compensation fund cash and investments of \$482,942 were held for the purpose of funding future obligations. The City continues to carry commercial insurance for other risks of loss (except medical insurance as described in the following section). Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Group Medical Insurance - The health claims fund (an internal service fund) was established to account for the provision of group medical insurance coverage for employees and their dependents and eligible retirees and their dependents. The City's medical insurance program is a "self-insured" plan funded by both the City and participating employees and retirees. The City makes a predetermined contribution to the plan each month for a portion of medical group insurance coverage. This is done on a bi-monthly basis for qualifying City employees and their dependents and on a monthly basis for qualifying retirees and their dependents. Employees contribute through payroll deductions for the balance of their medical coverage. Retirees are billed on a monthly basis by the City for the balance of their medical coverage.

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

The City's medical insurance program is made up of two contracts, a specific stop loss contract and an aggregate stop loss contract. The specific stop loss contract has a specific deductible of \$100,000 per individual and an \$80,000 aggregating specific corridor with an unlimited lifetime maximum benefit on eligible expenses. The aggregate stop loss contract has a minimum attachment point of \$3,583,667. The attachment point may go up based on an increase in enrollment, but the minimum or lowest it will ever be is \$3,583,667. The aggregate contract will pay up to \$1,000,000 on total claims over the attachment point.

All claims are reviewed and processed by an independent insurance company. The insurance company pays claims based on the health plan and the City reimburses the insurance company for the amount of each claim paid. The insurance company charges the City a fee for this service.

At September 30, 2012, the amount of estimated claims payable was \$412,044. Changes in the reported liability since October 1, 2010 resulted from the following:

| Fiscal Year | Beginning<br>Fiscal Year<br>Liability | Current Year Claims<br>and Changes in<br>Estimates | Claim<br>Payments | Ending<br>Fiscal Year<br>Liability |
|-------------|---------------------------------------|--|-------------------|------------------------------------|
| 2010-2011   | \$0                                   | \$2,447,536  | (\$2,085,760)     | \$361,776                          |
| 2011-2012   | \$361,776                             | \$3,483,674  | (\$3,433,406)     | \$412,044                          |

Accrued liabilities include provisions for claims reported and claims incurred but not reported. The provision for reported claims and for claims incurred but not yet reported is determined by an independent consultant.

1) Commitments and Contingencies

The City has several long-term agreements with significant commitments as follows:

- a. City of Dallas Water Purchase Agreement - The City purchases treated water from the City of Dallas under a 30-year contract negotiated in August 2010. The City makes payments to the City of Dallas at a rate of \$.3581 per 1,000 gallons plus \$199,958 per year for each million gallons per day rate of flow (maximum delivery rate). The City paid \$4,500,402 to the City of Dallas for the fiscal year ended September 30, 2012.
- b. Trinity River Authority (the "Authority") Sewage Disposal Agreement - On November 29, 1973, the City, along with other cities, entered into a 50-year contract with the Authority, whereby the Authority will provide and operate a regional wastewater treatment plant and wastewater conveyance facility constructed with the Authority's funds. In return, the cities agreed to pay for such services based on a usage formula that will provide reimbursements for operations, maintenance, and debt service payments to the Authority. The cities are jointly and severally responsible for the above payments. Each city's proportionate share is determined annually according to its contributing flow to the system. The City paid \$1,892,943 to the Authority for the fiscal year ended September 30, 2012.

The City is involved in various legal actions in which claims of varying amounts are being asserted against the City. The City follows the practice of providing for these claims when a loss is probable and a loss becomes fixed or determinable in amount. In the opinion of City management, these actions will not result in a significant impact of the City's financial position.

The City participates in several federal grant programs that are governed by various rules and regulations of the grantor agencies. Amounts received or receivable from grant agencies are subject to audit and adjustment by the grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, which may be disallowed by the grantor, cannot be determined at this time, although the City expects such amounts, if any, to be immaterial. For the year ended September 30, 2012, grant expenditures did not exceed the threshold for the single audit requirement; therefore, a single audit was not performed.

2) Postemployment Benefits Other Than Pensions

Plan Description - The City of Farmers Branch administers a single-employer defined contribution healthcare plan (the "Retiree Benefit Plan"). The plan contributes to postemployment healthcare benefits through the City's group health insurance plan, which covers both active and retired members (see funding policy below). Contributions are established through City policy as approved by City Council. The Retiree Benefit Plan does not issue a publicly available financial report.

The eligibility requirements are:

- Must be a current, full-time employee hired prior to January 1, 2007;
- Must have worked for the City for at least ten years, which do not need to be concurrent;
- Must meet the eligibility requirements of the Texas Municipal Retirement System (TMRS) and retire from the City; and,
- Must be on the City's health plan at the time of retirement, and for dependents to be carried on the health plan, they must also be on the plan at that time.

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

Funding Policy - Contribution requirements are set by City policy as approved by City Council. The City contributes the cost of the "employee only" premium for the City's base plan (capped at \$408 per month maximum for the future), \$500 annually to a health savings account for those retirees selecting the high deductible health insurance plans, and the full premium for life insurance coverage of \$12,000. The eligible City retiree receives city paid coverage till age 65. In fiscal year 2012, the City contributed \$290,878 to the plan. Plan members receiving benefits contribute the additional cost above the "employee only" base medical premium and the full group premium for dental or vision plans selected. In fiscal year 2012, total member contributions were \$239,943.

Annual OPEB Cost and Net OPEB Obligation - The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation.

|  |    |           |
|--|----|-----------|
| Annual required contribution (ARC)     | \$ | 340,730   |
| Interest on net OPEB obligation        |    | 46,107    |
| Adjustment to the ARC                  |    | (41,791)  |
| Annual OPEB cost                       | \$ | 345,046   |
| Contributions made                     |    | 290,878   |
| Increase in net OPEB obligation        | \$ | 54,168    |
| Net OPEB obligation, beginning of year |    | 1,024,602 |
| Net OPEB obligation, end of year       | \$ | 1,078,770 |

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2012 were as follows:

| Fiscal<br>Year<br>Ending | Annual<br>OPEB Cost | Actual<br>Contribution<br>Made | Percentage of<br>Annual OPEB<br>Cost<br>Contributed | Net OPEB<br>Obligation |
|--------------------------|---------------------|--------------------------------|---|------------------------|
| 2012                     | \$ 345,046          | \$ 290,878                     | 84%   | \$ 1,078,770           |

Funded Status and Funding Progress - As of October 1, 2011, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$4,754,942, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$17,587,927, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 27.0%.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions of the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the program and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Methods and Assumptions - Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the October 1, 2011 actuarial valuation, the Projected Unit Credit actuarial cost method was used. The actuarial assumptions included a 4.5 percent investment rate of return (discount rate) and an annual healthcare cost trend rate of 6 percent in fiscal year 2012, with the rate increases declining by 1 percent until the rate reaches 5 percent in fiscal year 2013 and thereafter. The unfunded actuarial liability is being amortized over an open period of 30 years using a Level Percent of Pay approach.

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

3) Employee Retirement System

Plan Description - The City provides pension benefits for all of its eligible employees through a nontraditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), one of 847 currently administered by TMRS, an agent multiple-employer public employee retirement system.

Upon retirement, benefits depend upon the sum of the employee's contributions to the plan, with interest, and the city-financed monetary credits, with interest. City-financed monetary credits are composed of three sources: prior service credits, current service credits, and updated service credits. At the date the plan began, the City granted monetary credits for service rendered before the plan began (or prior service credits) of a theoretical amount at least equal to two times what would have been contributed by the employee, with interest (3% annual), prior to establishment of the plan. Monetary credits for service since the plan began (or current service credits) are 200% of the employee's accumulated contributions. Beginning in 1996 the City granted, on an annually repeating basis, another type of monetary credit referred to as an updated service credit. This monetary credit is determined by hypothetically computing the member's account balance by assuming that the current member deposit rate of 7% and City matching ratio of 2 to 1 has always been in effect. The computation also assumes that the member's salary has always been the member's average salary – using a salary calculation based on the 36-month period ending a year before the effective date of calculation. This hypothetical account balance is increased by 3% each year, not the actual interest credited to member accounts in previous years, and increased by the 2 to 1 City match currently in effect. The resulting sum is then compared to the member's actual account balance increased by the actual City match and actual interest credited. If the hypothetical calculation exceeds the actual calculation, the member is granted a monetary credit (or updated service credit) equal to the difference between the hypothetical calculation and the actual calculation. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the city-financed monetary credits with interest were used to purchase an annuity. Additionally initiated in 1996, the City provides, on an annually repeating basis, increases for retirees equal to 70% of the change in the Consumer Price Index (CPI).

Members can retire at ages 60 and above with five or more years of service or with 25 years of service regardless of age. A member is vested after five years. The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS.

Funding Policy – The contribution rate for employees is 7% of employee gross earnings and the City matching ratio is 2 to 1, both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for each City is determined by the actuary annually, using the Projected Unit Credit actuarial cost method. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually; the prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for the City. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

The City contributes to the TMRS Plan at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect. During the period from January 1, 2009 through September 30, 2011, the City of Farmers Branch elected to contribute a minimum amount equal to its annual required contribution (ARC) less a "phase in" of the increase from the change to the Projected Unit Credit cost method in the 2007 valuation. This caused the City to have an actual contribution less than the actuarially determined ARC, and therefore to accrue a net pension obligation on its balance sheet. In subsequent years, this net pension obligation will be amortized using the same amortization factor used to determine the ARC for a given year. The phase in period was due to last eight years from fiscal year 2009 through fiscal year 2016; however, changes in state law have allowed the City to begin paying the full rate starting with the beginning of fiscal year 2012 on October 1, 2011, thereby eliminating additional phase in rate steps.

The annual pension cost (APC) and net pension obligation (NPO) are as follows:

|   |              |
|---|--------------|
| Annual required contribution (ARC)        | \$ 4,763,554 |
| Interest on net pension obligation (NPO)  | 220,606      |
| Adjustment to the ARC                     | (189,633)    |
| Annual pension cost (APC)                 | \$ 4,794,527 |
| Contributions made                        | 4,763,554    |
| Increase in net pension obligation        | \$ 30,973    |
| Net pension obligation, beginning of year | 3,151,514    |
| Net pension obligation, end of year       | \$ 3,182,487 |



NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

Trend information gives an indication of the progress made in accumulating sufficient assets to pay benefits when due. Trend information, for which three years is required, is presented as follows:

Three-Year Trend Information

| Fiscal Year Ending | Annual Pension Cost (APC) | Actual Contribution Made | Percentage of APC Contributed | Net Pension Obligation (NPO) |
|--------------------|---------------------------|--------------------------|-------------------------------|------------------------------|
| 2010               | \$ 5,957,242              | \$ 4,754,266             | 80%                           | \$ 2,135,404                 |
| 2011               | 5,893,164                 | 4,877,054                | 83%                           | 3,151,514                    |
| 2012               | 4,794,527                 | 4,763,554                | 100%                          | 3,182,487                    |

Funded Status and Funding Progress – The funded status as of December 31, 2011, the most recent actuarial date, is presented as follows:

| Fiscal Year | Actuarial Valuation Date | Actuarial Value of Assets | Actuarial Accrued Liability (AAL) | Unfunded AAL (UAAL) | Funded Ratio | Annual Covered Payroll | UAAL as a Percentage of Covered Payroll |
|-------------|--------------------------|---------------------------|-----------------------------------|---------------------|--------------|------------------------|---|
| 2012        | 12/31/2011               | \$ 167,716,459            | \$ 198,231,012                    | \$ 30,514,553       | 84.6%        | \$ 25,307,120          | 120.6%                                  |

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements in Exhibit E-1, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions - Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation and reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

The annual required contribution (ARC) for the plan was determined as part of the December 31, 2011 actuarial valuation using the following methods and assumptions:

|  |   |                            |
|--|---|----------------------------|
| Actuarial Cost Method                    | - | Projected Unit Credit      |
| Amortization Method                      | - | Level Percent of Payroll   |
| Remaining Amortization Period            | - | 26.3 Years - Closed Period |
| Amortization Period for New Gains/Losses | - | 30 years                   |
| Asset Valuation Method                   | - | 10-year Smoothed Market    |
| Investment Rate of Return                | - | 7.0%                       |
| Projected Salary Increases               | - | Varies by age and service  |
| Includes Inflation At                    | - | 3.0%                       |
| Cost-of-Living Adjustments               | - | 2.1% (3.0% CPI)            |

Plan Information - The City of Farmers Branch is one of 847 municipalities having the benefit administered by TMRS. Each of these municipalities has an annual, individual actuarial valuation performed. All assumptions for the December 31, 2011 valuations are contained in the 2011 TMRS Comprehensive Annual Financial Report that includes the financial statements and required supplementary information (RSI) for TMRS. The report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by the System. This report may be obtained by writing to TMRS, P.O. Box 149153, Austin, Texas 78714-9153 or by calling 800-924-8677; in addition, the report is available on TMRS' website at [www.TMRS.org](http://www.TMRS.org).

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

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4) Accounting Changes and Accounting Standards

In fiscal year 2012, the City implemented Governmental Accounting Standards Board (GASB) Statement 63 "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position" and Statement 65 "Items Previously Reported as Assets and Liabilities". Statement 63 will improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effect on a government's net position. The objective of Statement 65 is to either properly classify certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or to recognize certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues).

The implementation of Statement 65 resulted in the reclassification of the beginning net position of the governmental activities in the government-wide financial statements. The deferred charges for issuance costs were reclassified as expense of prior periods and resulted in the adjustment below:

|  |                     |
|--|---------------------|
| Net position at September 30, 2011                               | \$94,700,536        |
| Change in reporting for deferred charges for debt issuance costs | (369,847)           |
| Net position at September 30, 2011, restated                     | <u>\$94,330,689</u> |

The GASB has issued the following Statement which will become effective in future years as shown below:

Statement No. 68, "*Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27.*" The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. This Statement will become effective for the City in fiscal year 2015. Management has not yet determined the impact of this Statement on the financial statements.

5) Subsequent Events

On December 20, 2012, the City of Farmers Branch issued Combination Tax and Revenue Certificates of Obligation, Series 2012, in the amount of \$3,000,000 for the acquisition of public safety radio system upgrades and improvements and to pay the costs associated with the issuance. The interest rate on the certificates is 1.69 percent and the maturity date is May 1, 2023.

REQUIRED SUPPLEMENTARY INFORMATION  
 SEPTEMBER 30, 2012  
 (UNAUDITED)

## Texas Municipal Retirement System Analysis of Funding Progress

## Last Three Fiscal Years

| Fiscal Year | Actuarial Valuation Date | Actuarial Value of Assets | Actuarial Accrued Liability (AAL) - Unit Credit | Unfunded AAL (UAAL) | Funded Ratio | Annual Covered Payroll | UAAL as a Percentage of Covered Payroll |
|-------------|--------------------------|---------------------------|---|---------------------|--------------|------------------------|---|
| 2010        | 12/31/2009               | \$ 89,792,751             | \$ 134,608,501                                  | \$ 44,815,750       | 66.7%        | \$ 27,175,162          | 164.9%                                  |
| 2011        | 12/31/2010               | 158,506,492               | 190,757,068                                     | 32,250,576          | 83.1%        | 27,316,388             | 118.1%                                  |
| 2012        | 12/31/2011               | 167,716,459               | 198,231,012                                     | 30,514,553          | 84.6%        | 25,307,120             | 120.6%                                  |

## Retiree Benefit Plan Schedule of Funding Progress

## Last Three Fiscal Years

| Fiscal Year | Actuarial Valuation Date | Actuarial Value of Assets | Actuarial Accrued Liability (AAL) | Unfunded AAL (UAAL) | Funded Ratio | Annual Covered Payroll* | UAAL as a Percentage of Covered Payroll |
|-------------|--------------------------|---------------------------|-----------------------------------|---------------------|--------------|-------------------------|---|
| 2010        | 10/1/2009                | \$ 0                      | \$ 6,166,562                      | \$ 6,166,562        | 0.0%         | \$ 19,722,536           | 31.3%                                   |
| 2011        | 10/1/2010                | 0                         | 4,530,192                         | 4,530,192           | 0.0%         | 17,678,134              | 25.6%                                   |
| 2012        | 10/1/2011                | 0                         | 4,754,942                         | 4,754,942           | 0.0%         | 17,587,927              | 27.0%                                   |

\*The annual covered payroll for the Retiree Benefit Plan includes only full time employees hired prior to January 1, 2007.

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## OTHER SUPPLEMENTARY INFORMATION

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## COMBINING FINANCIAL STATEMENTS

### NON-MAJOR GOVERNMENTAL FUNDS

#### SPECIAL REVENUE FUNDS

The Special Revenue Funds are used by the City to account for the accumulation and disbursement of restricted resources. The following is a description of the City's Special Revenue Funds:

Hotel/Motel - to account for receipt and allocation of the City's hotel/motel occupancy tax. Use of this tax is limited by law to the promotion of tourism. The City hotel occupancy tax rate for its twelve hotels is 7%.

Police Forfeitures - to account for proceeds from the sale of assets seized in connection with drug arrests. Revenues are restricted to law enforcement expenditures.

Donations - to account for voluntary contributions for community improvement.

Cemetery - to account for grounds maintenance of Keenan Cemetery.

Youth Scholarship - to account for voluntary contributions for youth scholarship.

Grants - to account for grant revenues and expenditures.

Municipal Court Fees - to account for the municipal court building security fee dedicated to courthouse security and the municipal court technology fee for the purchase of technological enhancements.

Stars Center - to account for Stars/Conference Center rental revenues and transfers to debt service for bond payments.

PEG Access Channel - to account for Public, Educational, Governmental (PEG) access channel capital support. Funding source is 1% of cable franchisees' gross revenue.

Farmers Branch Local Government Corporation - to account for activities to further the promotion, development, encouragement, and maintenance of employment, commerce, economic development and public facility development in Farmers Branch, and currently to develop oil, natural gas and other mineral interests on behalf of the City.

Dangerous Structures Bond Fund - to account for the costs related to the acquisition and demolition of dangerous structures (the Project) located within the City and the payment of professional services in connection with the Project. Funded by certificate of obligation proceeds.

#### DEBT SERVICE FUND

The Debt Service Fund accounts for the accumulation of resources for, and the payment of, governmental long-term debt principal and interest. The governmental long-term debt serviced by the Debt Service Fund consists of general obligation bonds and special revenue bonds.

#### CAPITAL PROJECTS FUNDS

The Capital Projects Funds account for all resources used for the acquisition and/or construction of major capital facilities by the City, except those financed by the Enterprise Fund. The following is a description of the City's Capital Projects Funds:

Non-Bond Capital Projects Fund - to account for the acquisition and construction of major capital facilities.

DART Fund - to account for the construction and financing of transit related improvements funded by the Dallas Area Rapid Transit Local Assistance Program.

Hotel/Motel Fund - to account for the construction and financing of historical park improvements, funded by hotel/motel tax revenues.

Street Improvement/Animal Shelter Fund - to account for the construction of a new animal shelter and the reconstruction of several streets (Webb Chapel Road, Midway Road, and Benchmark).

Fire Station Bond Fund - to design, construct, equip and furnish fire fighting and fire station facilities, in order to accomplish the relocation of Fire Station No. 1 and the Emergency Operations Center, including the acquisition of land for this purpose.

TIF No. 1 District Fund - to account for infrastructure construction in the Mercer Crossing tax increment financing district and is funded from developer contributions, developer advances, and property tax payments.

TIF No. 2 District Fund - to account for infrastructure construction in the Old Farmers Branch tax increment financing district and is funded from developer contributions, developer advances, and property tax payments.

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COMBINING BALANCE SHEET - SUMMARY  
NONMAJOR GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2012

|  | Special<br>Revenue<br>Funds | Debt<br>Service<br>Fund | Capital<br>Project<br>Funds | Total<br>Nonmajor<br>Governmental<br>Funds |
|--|-----------------------------|-------------------------|-----------------------------|--|
| <b>ASSETS</b>  |                             |                         |                             |  |
| Cash, cash equivalents, and investments                                | \$ 5,274,529                | \$ 239,794              | \$ 1,199,605                | \$ 6,713,928                               |
| Receivables (net of allowance for uncollectibles)                      | 343,087                     | 125,675                 | 332,225                     | 800,987                                    |
| Accrued interest and other   | 30,987                      |                         | 11,539                      | 42,526                                     |
| Inventories  | 1,648,265                   |                         |                             | 1,648,265                                  |
| Prepaid items  | 688                         |                         |                             | 688  |
| Total assets   | <u>\$ 7,297,556</u>         | <u>\$ 365,469</u>       | <u>\$ 1,543,369</u>         | <u>\$ 9,206,394</u>                        |
| <b>LIABILITIES</b>   |                             |                         |                             |  |
| Accounts payable   | \$ 242,710                  | \$ 17,896               | \$ 92,146                   | \$ 352,752                                 |
| Retainage payable  |                             |                         | 6,441                       | 6,441                                      |
| Deposits payable   | 604,975                     |                         |                             | 604,975                                    |
| Unearned revenue - other   | 68,073                      |                         |                             | 68,073                                     |
| Total liabilities  | <u>939,758</u>              | <u>17,896</u>           | <u>98,587</u>               | <u>1,056,241</u>                           |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                                   |                             |                         |                             |  |
| Unavailable revenue  | <u>6,135</u>                | <u>125,675</u>          | <u>302,923</u>              | <u>434,733</u>                             |
| Total deferred inflows of resources                                    | <u>6,135</u>                | <u>125,675</u>          | <u>302,923</u>              | <u>434,733</u>                             |
| <b>FUND BALANCES</b>   |                             |                         |                             |  |
| Nonspendable:  |                             |                         |                             |  |
| Inventory  | 4,830                       |                         |                             | 4,830                                      |
| Prepaid items  | 688                         |                         |                             | 688  |
| Restricted for:  |                             |                         |                             |  |
| Construction of capital assets   |                             |                         | 825,648                     | 825,648                                    |
| Dangerous structures abatement   | 3,823,952                   |                         |                             | 3,823,952                                  |
| Promotion of tourism   | 611,645                     |                         |                             | 611,645                                    |
| Purpose of grantors, trustees and donors                               | 574,696                     |                         |                             | 574,696                                    |
| Debt service   | 435,791                     |                         |                             | 435,791                                    |
| Law enforcement  | 900,061                     |                         |                             | 900,061                                    |
| Assigned to:   |                             |                         |                             |  |
| Construction of capital assets   |                             |                         | 316,211                     | 316,211                                    |
| Debt service   |                             | 221,898                 |                             | 221,898                                    |
| Total fund balances  | <u>6,351,663</u>            | <u>221,898</u>          | <u>1,141,859</u>            | <u>7,715,420</u>                           |
| Total liabilities, deferred inflows of resources,<br>and fund balances | <u>\$ 7,297,556</u>         | <u>\$ 365,469</u>       | <u>\$ 1,543,369</u>         | <u>\$ 9,206,394</u>                        |

## CITY OF FARMERS BRANCH, TEXAS

## COMBINING BALANCE SHEET

## NONMAJOR GOVERNMENTAL FUNDS - NONMAJOR SPECIAL REVENUE FUNDS

SEPTEMBER 30, 2012

|  | Nonmajor Special Revenue Funds |                       |                   |                  |                      |                  |
|--|--------------------------------|-----------------------|-------------------|------------------|----------------------|------------------|
|  | Hotel/<br>Motel                | Police<br>Forfeitures | Donations         | Cemetery         | Youth<br>Scholarship | Grants           |
| <b>ASSETS</b>  |                                |                       |                   |                  |                      |                  |
| Cash, cash equivalents, and investments                                | \$ 448,469                     | \$ 245,616            | \$ 334,549        | \$ 92,181        | \$ 27,074            | \$ 480           |
| Receivables (net of allowance for uncollectibles)                      | 230,846                        | 699                   | 6,135             |                  |                      | 37,900           |
| Accrued interest and other   | 3,726                          | 1,424                 | 718               | 672              | 168                  |                  |
| Inventories  | 4,830                          |                       |                   |                  |                      |                  |
| Prepaid items  | 688                            |                       |                   |                  |                      |                  |
| Total assets   | <u>\$ 688,559</u>              | <u>\$ 247,739</u>     | <u>\$ 341,402</u> | <u>\$ 92,853</u> | <u>\$ 27,242</u>     | <u>\$ 38,380</u> |
| <b>LIABILITIES</b>   |                                |                       |                   |                  |                      |                  |
| Accounts payable   | \$ 66,421                      | \$ 500                | \$ 1,080          | \$ 758           |                      |                  |
| Deposits payable   | 4,975                          |                       |                   |                  |                      |                  |
| Due to other funds   |                                |                       |                   |                  |                      | 24,000           |
| Unearned revenue - other   |                                | 53,693                |                   |                  |                      | 14,380           |
| Total liabilities  | <u>71,396</u>                  | <u>54,193</u>         | <u>1,080</u>      | <u>758</u>       |                      | <u>38,380</u>    |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                                   |                                |                       |                   |                  |                      |                  |
| Unavailable revenue  |                                |                       | 6,135             |                  |                      |                  |
| Total deferred inflows of resources                                    |                                |                       | <u>6,135</u>      |                  |                      |                  |
| <b>FUND BALANCES</b>   |                                |                       |                   |                  |                      |                  |
| Nonspendable:  |                                |                       |                   |                  |                      |                  |
| Inventory  | 4,830                          |                       |                   |                  |                      |                  |
| Prepaid items  | 688                            |                       |                   |                  |                      |                  |
| Restricted for:  |                                |                       |                   |                  |                      |                  |
| Dangerous structures abatement   |                                |                       |                   |                  |                      |                  |
| Promotion of tourism   | 611,645                        |                       |                   |                  |                      |                  |
| Purpose of grantors, trustees, and donors                              |                                |                       | 334,187           | 92,095           | 27,242               |                  |
| Debt service   |                                |                       |                   |                  |                      |                  |
| Law enforcement  |                                | 193,546               |                   |                  |                      |                  |
| Total fund balances  | <u>617,163</u>                 | <u>193,546</u>        | <u>334,187</u>    | <u>92,095</u>    | <u>27,242</u>        |                  |
| Total liabilities, deferred inflows of resources,<br>and fund balances | <u>\$ 688,559</u>              | <u>\$ 247,739</u>     | <u>\$ 341,402</u> | <u>\$ 92,853</u> | <u>\$ 27,242</u>     | <u>\$ 38,380</u> |

| Nonmajor Special Revenue Funds |                     |                          |  |                                 | Total                                |
|--------------------------------|---------------------|--------------------------|--|---------------------------------|--------------------------------------|
| Municipal<br>Court<br>Fees     | Stars<br>Center     | PEG<br>Access<br>Channel | Farmers Branch<br>Local Gov't<br>Corporation | Dangerous<br>Structures<br>Bond | Nonmajor<br>Special Revenue<br>Funds |
| \$ 825,221                     | \$ 1,029,117        | \$ 65,087                | \$ 40,683                                    | \$ 2,166,052                    | \$ 5,274,529                         |
| 52,367                         |                     | 15,140                   |  |                                 | 343,087                              |
| 2,878                          | 6,674               | 262                      |  | 14,465                          | 30,987                               |
|                                |                     |                          |  | 1,643,435                       | 1,648,265                            |
|                                |                     |                          |  |                                 | 688                                  |
| <u>\$ 880,466</u>              | <u>\$ 1,035,791</u> | <u>\$ 80,489</u>         | <u>\$ 40,683</u>                             | <u>\$ 3,823,952</u>             | <u>\$ 7,297,556</u>                  |
| \$ 173,951                     | \$ 600,000          | \$                       | \$   | \$                              | \$ 242,710                           |
|                                |                     |                          |  |                                 | 604,975                              |
|                                |                     |                          |  |                                 | 24,000                               |
|                                |                     |                          |  |                                 | 68,073                               |
| <u>173,951</u>                 | <u>600,000</u>      |                          |  |                                 | <u>939,758</u>                       |
|                                |                     |                          |  |                                 | 6,135                                |
|                                |                     |                          |  |                                 | 6,135                                |
|                                |                     |                          |  |                                 |                                      |
|                                |                     |                          |  |                                 | 4,830                                |
|                                |                     |                          |  |                                 | 688                                  |
|                                |                     |                          |  | 3,823,952                       | 3,823,952                            |
|                                |                     |                          |  |                                 | 611,645                              |
|                                |                     | 80,489                   | 40,683                                       |                                 | 574,696                              |
|                                | 435,791             |                          |  |                                 | 435,791                              |
| <u>706,515</u>                 |                     |                          |  |                                 | <u>900,061</u>                       |
| <u>706,515</u>                 | <u>435,791</u>      | <u>80,489</u>            | <u>40,683</u>                                | <u>3,823,952</u>                | <u>6,351,663</u>                     |
| <u>\$ 880,466</u>              | <u>\$ 1,035,791</u> | <u>\$ 80,489</u>         | <u>\$ 40,683</u>                             | <u>\$ 3,823,952</u>             | <u>\$ 7,297,556</u>                  |

## COMBINING BALANCE SHEET

## NONMAJOR GOVERNMENTAL FUNDS - NONMAJOR CAPITAL PROJECTS FUNDS

SEPTEMBER 30, 2012

|  | Nonmajor Capital Projects Funds |                   |                   |                         |                       |                       | Total<br>Nonmajor<br>Capital Projects<br>Funds |
|--|---------------------------------|-------------------|-------------------|-------------------------|-----------------------|-----------------------|--|
|  | Non-Bond                        | DART              | Hotel/<br>Motel   | Fire<br>Station<br>Bond | TIF No. 1<br>District | TIF No. 2<br>District |  |
| ASSETS   |                                 |                   |                   |                         |                       |                       |  |
| Cash, cash equivalents, and investments                                | \$ 336,899                      | \$ 532,336        | \$ 102,704        | \$ 85,570               | \$ 89,804             | \$ 52,292             | \$ 1,199,605                                   |
| Receivables (net of allowance for uncollectibles)                      | 61,117                          |                   |                   |                         | 265,742               | 5,366                 | 332,225  |
| Accrued interest and other   | 1,142                           | 4,112             | 697               | 3,329                   | 693                   | 1,566                 | 11,539   |
| Total assets   | <u>\$ 399,158</u>               | <u>\$ 536,448</u> | <u>\$ 103,401</u> | <u>\$ 88,899</u>        | <u>\$ 356,239</u>     | <u>\$ 59,224</u>      | <u>\$ 1,543,369</u>                            |
| LIABILITIES  |                                 |                   |                   |                         |                       |                       |  |
| Accounts payable   | \$ 44,691                       | \$                | \$ 47,455         | \$                      | \$                    | \$                    | \$ 92,146                                      |
| Retainage payable  | 6,441                           |                   |                   |                         |                       |                       | 6,441  |
| Total liabilities  | <u>51,132</u>                   |                   | <u>47,455</u>     |                         |                       |                       | <u>98,587</u>                                  |
| DEFERRED INFLOWS OF RESOURCES  |                                 |                   |                   |                         |                       |                       |  |
| Unavailable revenue  | 31,815                          |                   |                   |                         | 265,742               | 5,366                 | 302,923  |
| Total deferred inflows of resources                                    | <u>31,815</u>                   |                   |                   |                         | <u>265,742</u>        | <u>5,366</u>          | <u>302,923</u>                                 |
| FUND BALANCES  |                                 |                   |                   |                         |                       |                       |  |
| Restricted for:  |                                 |                   |                   |                         |                       |                       |  |
| Construction of capital assets   |                                 | 536,448           | 55,946            | 88,899                  | 90,497                | 53,858                | 825,648  |
| Assigned to:   |                                 |                   |                   |                         |                       |                       |  |
| Construction of capital assets   | 316,211                         |                   |                   |                         |                       |                       | 316,211  |
| Total fund balances  | <u>316,211</u>                  | <u>536,448</u>    | <u>55,946</u>     | <u>88,899</u>           | <u>90,497</u>         | <u>53,858</u>         | <u>1,141,859</u>                               |
| Total liabilities, deferred inflows of resources,<br>and fund balances | <u>\$ 399,158</u>               | <u>\$ 536,448</u> | <u>\$ 103,401</u> | <u>\$ 88,899</u>        | <u>\$ 356,239</u>     | <u>\$ 59,224</u>      | <u>\$ 1,543,369</u>                            |

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - SUMMARY  
 NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

|  | Special<br>Revenue<br>Funds | Debt<br>Service<br>Fund | Capital<br>Projects<br>Funds | Total<br>Nonmajor<br>Governmental<br>Funds |
|--|-----------------------------|-------------------------|------------------------------|--|
| <b>REVENUES</b>  |                             |                         |                              |  |
| Property taxes   | \$                          | \$ 1,506,427            | \$                           | \$ 1,506,427                               |
| Hotel/motel taxes  | 1,932,530                   |                         |                              | 1,932,530                                  |
| Franchise taxes  | 59,500                      |                         |                              | 59,500                                     |
| Tax increment financing                                      |                             |                         | 868,477                      | 868,477                                    |
| Special assessments  |                             |                         | 42,676                       | 42,676                                     |
| Fines and forfeitures  | 670,664                     |                         |                              | 670,664                                    |
| Investment income  | 694,844                     |                         | 7,501                        | 702,345                                    |
| Intergovernmental  | 101,337                     |                         | 590,002                      | 691,339                                    |
| Developer's contributions                                    |                             |                         | 95,000                       | 95,000                                     |
| Miscellaneous  | 286,806                     |                         |                              | 286,806                                    |
| Total revenues   | 3,745,681                   | 1,506,427               | 1,603,656                    | 6,855,764                                  |
| <b>EXPENDITURES</b>  |                             |                         |                              |  |
| Current:   |                             |                         |                              |  |
| General government   | 118,838                     |                         |                              | 118,838                                    |
| Public safety  | 607,691                     |                         |                              | 607,691                                    |
| Culture and recreation                                       | 1,425,529                   |                         |                              | 1,425,529                                  |
| Loss due to decline in market value of land held for sale    | 38,768                      |                         |                              | 38,768                                     |
| Debt service:  |                             |                         |                              |  |
| Principal retirement   |                             | 3,470,000               | 250,000                      | 3,720,000                                  |
| Interest and fiscal agent charges                            |                             | 773,819                 |                              | 773,819                                    |
| Issuance costs   |                             | 108,637                 |                              | 108,637                                    |
| Capital outlay   |                             |                         | 3,712,822                    | 3,712,822                                  |
| Total expenditures   | 2,190,826                   | 4,352,456               | 3,962,822                    | 10,506,104                                 |
| Excess (deficiency) of revenues over<br>(under) expenditures | 1,554,855                   | (2,846,029)             | (2,359,166)                  | (3,650,340)                                |
| <b>OTHER FINANCING SOURCES (USES)</b>                        |                             |                         |                              |  |
| Transfers in   |                             | 1,057,820               |                              | 1,057,820                                  |
| Transfers out  | (1,607,200)                 |                         | (11,893)                     | (1,619,093)                                |
| Refunding bonds issued                                       |                             | 7,035,000               |                              | 7,035,000                                  |
| Premiums on debt issued                                      |                             | 19,057                  |                              | 19,057                                     |
| Payment to escrow agent                                      |                             | (6,950,250)             |                              | (6,950,250)                                |
| Total other financing sources (uses)                         | (1,607,200)                 | 1,161,627               | (11,893)                     | (457,466)                                  |
| Net change in fund balances                                  | (52,345)                    | (1,684,402)             | (2,371,059)                  | (4,107,806)                                |
| Fund balances--beginning                                     | 6,404,008                   | 1,906,300               | 3,512,918                    | 11,823,226                                 |
| Fund balances--ending  | \$ 6,351,663                | \$ 221,898              | \$ 1,141,859                 | \$ 7,715,420                               |

CITY OF FARMERS BRANCH, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS - NONMAJOR SPECIAL REVENUE FUNDS  
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

|  | Nonmajor Special Revenue Funds |                       |            |           |                      |         |
|--|--------------------------------|-----------------------|------------|-----------|----------------------|---------|
|  | Hotel/<br>Motel                | Police<br>Forfeitures | Donations  | Cemetery  | Youth<br>Scholarship | Grants  |
| REVENUES   |                                |                       |            |           |                      |         |
| Hotel/motel taxes  | \$ 1,932,530                   | \$                    | \$         | \$        | \$                   | \$      |
| Franchise taxes  |                                |                       |            |           |                      |         |
| Fines and forfeitures  |                                | 33,021                |            |           |                      |         |
| Investment income  | 16,631                         | 951                   | 480        | 449       | 112                  |         |
| Intergovernmental  |                                |                       |            |           |                      | 101,337 |
| Miscellaneous  | 14,774                         |                       | 268,232    | 1,250     | 2,550                |         |
| Total revenues   | 1,963,935                      | 33,972                | 268,712    | 1,699     | 2,662                | 101,337 |
| EXPENDITURES   |                                |                       |            |           |                      |         |
| General government   |                                |                       | 11,811     |           |                      |         |
| Public safety  |                                | 33,122                | 5,442      |           |                      | 73,030  |
| Culture and recreation                                       | 1,354,595                      |                       | 16,895     | 25,691    |                      | 28,348  |
| Loss due to decline in market value of land held for sale    |                                |                       |            |           |                      |         |
| Total expenditures   | 1,354,595                      | 33,122                | 34,148     | 25,691    |                      | 101,378 |
| Excess (deficiency) of revenues over<br>(under) expenditures | 609,340                        | 850                   | 234,564    | (23,992)  | 2,662                | (41)    |
| OTHER FINANCING USES   |                                |                       |            |           |                      |         |
| Transfers out  | (830,900)                      |                       |            |           |                      |         |
| Total other financing uses                                   | (830,900)                      |                       |            |           |                      |         |
| Net change in fund balances                                  | (221,560)                      | 850                   | 234,564    | (23,992)  | 2,662                | (41)    |
| Fund balances--beginning                                     | 838,723                        | 192,696               | 99,623     | 116,087   | 24,580               | 41      |
| Fund balances--ending  | \$ 617,163                     | \$ 193,546            | \$ 334,187 | \$ 92,095 | \$ 27,242            | \$      |

| Nonmajor Special Revenue Funds |                 |                          |  |                                 | Total                                |
|--------------------------------|-----------------|--------------------------|--|---------------------------------|--------------------------------------|
| Municipal<br>Court<br>Fees     | Stars<br>Center | PEG<br>Access<br>Channel | Farmers Branch<br>Local Gov't<br>Corporation | Dangerous<br>Structures<br>Bond | Nonmajor<br>Special Revenue<br>Funds |
| \$                             | \$              | \$                       | \$   | \$                              | \$ 1,932,530                         |
|                                |                 | 59,500                   |  |                                 | 59,500                               |
| 637,643                        |                 |                          |  |                                 | 670,664                              |
| 1,923                          | 664,459         | 175                      |  | 9,664                           | 694,844                              |
|                                |                 |                          |  |                                 | 101,337                              |
|                                |                 |                          |  |                                 | 286,806                              |
| 639,566                        | 664,459         | 59,675                   |  | 9,664                           | 3,745,681                            |
| 103,639                        |                 |                          |  | 3,388                           | 118,838                              |
| 496,097                        |                 |                          |  |                                 | 607,691                              |
|                                |                 |                          |  |                                 | 1,425,529                            |
|                                |                 |                          |  | 38,768                          | 38,768                               |
| 599,736                        |                 |                          |  | 42,156                          | 2,190,826                            |
| 39,830                         | 664,459         | 59,675                   |  | (32,492)                        | 1,554,855                            |
|                                | (602,300)       |                          |  | (174,000)                       | (1,607,200)                          |
|                                | (602,300)       |                          |  | (174,000)                       | (1,607,200)                          |
| 39,830                         | 62,159          | 59,675                   |  | (206,492)                       | (52,345)                             |
| 666,685                        | 373,632         | 20,814                   | 40,683                                       | 4,030,444                       | 6,404,008                            |
| \$ 706,515                     | \$ 435,791      | \$ 80,489                | \$ 40,683                                    | \$ 3,823,952                    | \$ 6,351,663                         |

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS - NONMAJOR CAPITAL PROJECTS FUNDS  
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

|  | Nonmajor Capital Projects Funds |            |                 |  |                         |                       |                       | Total<br>Nonmajor<br>Capital Projects<br>Funds |
|--|---------------------------------|------------|-----------------|--|-------------------------|-----------------------|-----------------------|--|
|  | Non-Bond                        | DART       | Hotel/<br>Motel | Street<br>Improvement/<br>Animal Shelter | Fire<br>Station<br>Bond | TIF No. 1<br>District | TIF No. 2<br>District |  |
| REVENUES   |                                 |            |                 |  |                         |                       |                       |  |
| Tax increment financing                                      | \$                              | \$         | \$              | \$                                       | \$                      | \$ 778,477            | \$ 90,000             | \$ 868,477                                     |
| Special assessments  | 42,676                          |            |                 |  |                         |                       |                       | 42,676   |
| Investment income  | 763                             | 2,748      | 466             | 24                                       | 2,224                   | 463                   | 813                   | 7,501  |
| Intergovernmental  | 448,058                         | 141,944    |                 |  |                         |                       |                       | 590,002  |
| Developer's contributions                                    | 95,000                          |            |                 |  |                         |                       |                       | 95,000   |
| Total revenues   | 586,497                         | 144,692    | 466             | 24                                       | 2,224                   | 778,940               | 90,813                | 1,603,656                                      |
| EXPENDITURES   |                                 |            |                 |  |                         |                       |                       |  |
| Principal retirement   |                                 |            |                 |  |                         | 250,000               |                       | 250,000  |
| Capital outlay   | 524,265                         | 180,118    | 47,455          | 1,006                                    | 2,562,795               | 397,183               |                       | 3,712,822                                      |
| Total expenditures   | 524,265                         | 180,118    | 47,455          | 1,006                                    | 2,562,795               | 647,183               |                       | 3,962,822                                      |
| Excess (deficiency) of revenues<br>over (under) expenditures | 62,232                          | (35,426)   | (46,989)        | (982)                                    | (2,560,571)             | 131,757               | 90,813                | (2,359,166)                                    |
| OTHER FINANCING USES   |                                 |            |                 |  |                         |                       |                       |  |
| Transfers out  |                                 |            |                 | (11,620)                                 |                         | (273)                 |                       | (11,893)                                       |
| Total other financing uses                                   |                                 |            |                 | (11,620)                                 |                         | (273)                 |                       | (11,893)                                       |
| Net change in fund balances                                  | 62,232                          | (35,426)   | (46,989)        | (12,602)                                 | (2,560,571)             | 131,484               | 90,813                | (2,371,059)                                    |
| Fund balances--beginning                                     | 253,979                         | 571,874    | 102,935         | 12,602                                   | 2,649,470               | (40,987)              | (36,955)              | 3,512,918                                      |
| Fund balances--ending  | \$ 316,211                      | \$ 536,448 | \$ 55,946       | \$                                       | \$ 88,899               | \$ 90,497             | \$ 53,858             | \$ 1,141,859                                   |



**SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL**

General Fund, Nonmajor Special Revenue Funds, and Debt Service Fund

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SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GENERAL FUND  
 BUDGET AND ACTUAL  
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

|  | Budgeted Amounts |               | Actual Amounts | Adjustments  | Actual Amounts | Variance with |
|--|------------------|---------------|----------------|--------------|----------------|---------------|
|  | Original         | Final         | GAAP Basis     | Budget Basis | Budget Basis   | Final Budget  |
| <b>REVENUES</b>  |                  |               |                |              |                |               |
| Property taxes   | \$ 17,900,000    | \$ 17,600,000 | \$ 17,237,307  | \$           | \$ 17,237,307  | \$ (362,693)  |
| Sales and use taxes  | 11,860,000       | 12,860,000    | 12,750,809     |              | 12,750,809     | (109,191)     |
| Franchise taxes  | 4,568,000        | 4,227,000     | 4,164,943      |              | 4,164,943      | (62,057)      |
| Licenses and permits   | 653,000          | 989,000       | 1,012,913      |              | 1,012,913      | 23,913        |
| Charges for services   | 4,237,200        | 4,720,500     | 4,624,287      |              | 4,624,287      | (96,213)      |
| Fines and forfeitures  | 2,439,500        | 2,179,500     | 2,184,699      |              | 2,184,699      | 5,199         |
| Investment income  | 548,000          | 574,000       | 587,856        |              | 587,856        | 13,856        |
| Miscellaneous  | 95,900           | 53,900        | 56,202         |              | 56,202         | 2,302         |
| Total revenues   | 42,301,600       | 43,203,900    | 42,619,016     |              | 42,619,016     | (584,884)     |
| <b>EXPENDITURES</b>  |                  |               |                |              |                |               |
| Current:   |                  |               |                |              |                |               |
| General government:  |                  |               |                |              |                |               |
| General government   | 2,096,600        | 3,437,500     | 3,290,743      | (341)        | 3,290,402      | 147,098       |
| General administration   | 1,929,500        | 2,090,400     | 2,028,690      | (121,350)    | 1,907,340      | 183,060       |
| Human resources  | 562,800          | 561,100       | 529,971        | 16,700       | 546,671        | 14,429        |
| Finance  | 3,117,000        | 3,219,400     | 3,247,809      | 17,931       | 3,265,740      | (46,340)      |
| Community services   | 2,201,300        | 2,289,700     | 2,189,933      | 13,185       | 2,203,118      | 86,582        |
| Public safety:   |                  |               |                |              |                |               |
| Police   | 11,538,800       | 11,413,300    | 11,104,137     | 7,340        | 11,111,477     | 301,823       |
| Fire   | 9,209,700        | 9,274,300     | 9,505,624      | 20,078       | 9,525,702      | (251,402)     |
| Public works:  |                  |               |                |              |                |               |
| Public works   | 5,819,300        | 5,822,700     | 5,665,710      | (194)        | 5,665,516      | 157,184       |
| Culture and recreation:  |                  |               |                |              |                |               |
| Parks and recreation   | 8,918,100        | 9,724,300     | 9,088,473      | 259,000      | 9,347,473      | 376,827       |
| Library  | 1,430,000        | 1,436,500     | 1,437,544      | (5,973)      | 1,431,571      | 4,929         |
| Loss due to decline in market value<br>of land held for resale | 330,000          | 330,000       | 95,459         |              | 95,459         | 234,541       |
| Total expenditures   | 47,153,100       | 49,599,200    | 48,184,093     | 206,376      | 48,390,469     | 1,208,731     |
| Deficiency of revenues<br>under expenditures                   | (4,851,500)      | (6,395,300)   | (5,565,077)    | (206,376)    | (5,771,453)    | 623,847       |
| <b>OTHER FINANCING SOURCES</b>                                 |                  |               |                |              |                |               |
| Transfers in   | 3,775,500        | 3,999,500     | 3,949,773      |              | 3,949,773      | (49,727)      |
| Sale of general capital assets                                 | 790,000          | 1,141,400     | 1,021,293      |              | 1,021,293      | (120,107)     |
| Insurance recoveries   | 21,500           | 423,500       | 548,238        |              | 548,238        | 124,738       |
| Total other financing sources                                  | 4,587,000        | 5,564,400     | 5,519,304      |              | 5,519,304      | (45,096)      |
| Net change in fund balance                                     | (264,500)        | (830,900)     | (45,773)       | (206,376)    | (252,149)      | 578,751       |
| Fund balances--beginning                                       | 11,359,841       | 11,359,841    | 11,645,599     | (285,758)    | 11,359,841     |               |
| Fund balances--ending  | \$ 11,095,341    | \$ 10,528,941 | \$ 11,599,826  | \$ (492,134) | \$ 11,107,692  | \$ 578,751    |

## CITY OF FARMERS BRANCH, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
 NONMAJOR SPECIAL REVENUE FUNDS  
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

|  | Hotel/Motel       |                           |           | Police Forfeitures |                           |           |
|--|-------------------|---------------------------|-----------|--------------------|---------------------------|-----------|
|  | Revised<br>Budget | Actual<br>Budget<br>Basis | Variance  | Revised<br>Budget  | Actual<br>Budget<br>Basis | Variance  |
| REVENUES   |                   |                           |           |                    |                           |           |
| Hotel taxes  | \$ 1,918,000      | \$ 1,932,530              | \$ 14,530 | \$                 | \$                        | \$        |
| Fines, forfeitures, and assessments                            |                   |                           |           | 31,611             | 33,021                    | 1,410     |
| Franchise taxes  |                   |                           |           |                    |                           |           |
| Investment income  | 20,000            | 16,631                    | (3,369)   |                    | 951                       | 951       |
| Intergovernmental  |                   |                           |           |                    |                           |           |
| Donations and miscellaneous                                    | 16,800            | 14,774                    | (2,026)   |                    |                           |           |
| Total revenues   | 1,954,800         | 1,963,935                 | 9,135     | 31,611             | 33,972                    | 2,361     |
| EXPENDITURES   |                   |                           |           |                    |                           |           |
| General government   |                   |                           |           |                    |                           |           |
| Public safety  |                   |                           |           | 58,000             | 33,122                    | 24,878    |
| Culture and recreation   | 1,325,900         | 1,237,328                 | 88,572    |                    |                           |           |
| Loss due to decline in market value<br>of land held for resale |                   |                           |           |                    |                           |           |
| Total expenditures   | 1,325,900         | 1,237,328                 | 88,572    | 58,000             | 33,122                    | 24,878    |
| Excess (deficiency) of revenues over<br>(under) expenditures   | 628,900           | 726,607                   | 97,707    | (26,389)           | 850                       | 27,239    |
| OTHER FINANCING USES   |                   |                           |           |                    |                           |           |
| Transfers out  | (830,900)         | (830,900)                 |           |                    |                           |           |
| Total other financing uses                                     | (830,900)         | (830,900)                 |           |                    |                           |           |
| Net change in fund balances                                    | (202,000)         | (104,293)                 | 97,707    | (26,389)           | 850                       | 27,239    |
| Fund balances--beginning                                       | 534,599           | 534,599                   |           | 192,696            | 192,696                   |           |
| Fund balances--ending  | \$ 332,599        | \$ 430,306                | \$ 97,707 | \$ 166,307         | \$ 193,546                | \$ 27,239 |

| Donations         |                           |          | Cemetery          |                           |          | Youth Scholarships |                           |          |
|-------------------|---------------------------|----------|-------------------|---------------------------|----------|--------------------|---------------------------|----------|
| Revised<br>Budget | Actual<br>Budget<br>Basis | Variance | Revised<br>Budget | Actual<br>Budget<br>Basis | Variance | Revised<br>Budget  | Actual<br>Budget<br>Basis | Variance |
| \$                | \$                        | \$       | \$                | \$                        | \$       | \$                 | \$                        | \$       |
|                   | 480                       | 480      | 4,000             | 449                       | (3,551)  |                    | 112                       | 112      |
| 291,839           | 268,232                   | (23,607) |                   | 1,250                     | 1,250    | 3,000              | 2,550                     | (450)    |
| 291,839           | 268,712                   | (23,127) | 4,000             | 1,699                     | (2,301)  | 3,000              | 2,662                     | (338)    |
| 27,500            | 21,811                    | 5,689    |                   |                           |          |                    |                           |          |
| 19,900            | 5,442                     | 14,458   |                   |                           |          |                    |                           |          |
| 26,047            | 16,895                    | 9,152    | 29,220            | 25,691                    | 3,529    | 2,000              |                           | 2,000    |
| 73,447            | 44,148                    | 29,299   | 29,220            | 25,691                    | 3,529    | 2,000              |                           | 2,000    |
| 218,392           | 224,564                   | 6,172    | (25,220)          | (23,992)                  | 1,228    | 1,000              | 2,662                     | 1,662    |
| 218,392           | 224,564                   | 6,172    | (25,220)          | (23,992)                  | 1,228    | 1,000              | 2,662                     | 1,662    |
| 99,623            | 99,623                    |          | 116,087           | 116,087                   |          | 24,580             | 24,580                    |          |
| \$ 318,015        | \$ 324,187                | \$ 6,172 | \$ 90,867         | \$ 92,095                 | \$ 1,228 | \$ 25,580          | \$ 27,242                 | \$ 1,662 |

(continued)

## CITY OF FARMERS BRANCH, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
 NONMAJOR SPECIAL REVENUE FUNDS  
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

|  | Grants            |                           |          | Municipal Court Fees |                           |            |
|--|-------------------|---------------------------|----------|----------------------|---------------------------|------------|
|  | Revised<br>Budget | Actual<br>Budget<br>Basis | Variance | Revised<br>Budget    | Actual<br>Budget<br>Basis | Variance   |
| REVENUES   |                   |                           |          |                      |                           |            |
| Hotel taxes  | \$                | \$                        | \$       | \$                   | \$                        | \$         |
| Fines, forfeitures, and assessments                            |                   |                           |          | 664,900              | 637,643                   | (27,257)   |
| Franchise taxes  |                   |                           |          |                      | 1,923                     | 1,923      |
| Investment income  |                   |                           |          |                      |                           |            |
| Intergovernmental  | 121,081           | 101,337                   | (19,744) |                      |                           |            |
| Donations and miscellaneous                                    |                   |                           |          |                      |                           |            |
| Total revenues   | 121,081           | 101,337                   | (19,744) | 664,900              | 639,566                   | (25,334)   |
| EXPENDITURES   |                   |                           |          |                      |                           |            |
| General government   | 500               |                           | 500      | 113,700              | 103,639                   | 10,061     |
| Public safety  | 83,022            | 72,989                    | 10,033   | 616,400              | 496,097                   | 120,303    |
| Culture and recreation   | 37,559            | 28,348                    | 9,211    |                      |                           |            |
| Loss due to decline in market value<br>of land held for resale |                   |                           |          |                      |                           |            |
| Total expenditures   | 121,081           | 101,337                   | 19,744   | 730,100              | 599,736                   | 130,364    |
| Excess (deficiency) of revenues over<br>(under) expenditures   |                   |                           |          | (65,200)             | 39,830                    | 105,030    |
| OTHER FINANCING USES   |                   |                           |          |                      |                           |            |
| Transfers out  |                   |                           |          |                      |                           |            |
| Total other financing uses                                     |                   |                           |          |                      |                           |            |
| Net change in fund balances                                    |                   |                           |          | (65,200)             | 39,830                    | 105,030    |
| Fund balances--beginning                                       |                   |                           |          | 666,685              | 666,685                   |            |
| Fund balances--ending  | \$                | \$                        | \$       | \$ 601,485           | \$ 706,515                | \$ 105,030 |

| Stars Center      |                           |          | PEG Access Channel |                           |                | Farmers Branch Local Gov't Corporation |                           |          |
|-------------------|---------------------------|----------|--------------------|---------------------------|----------------|--|---------------------------|----------|
| Revised<br>Budget | Actual<br>Budget<br>Basis | Variance | Revised<br>Budget  | Actual<br>Budget<br>Basis | Variance       | Revised<br>Budget                      | Actual<br>Budget<br>Basis | Variance |
| \$                | \$                        | \$       | \$                 | \$                        | \$             | \$                                     | \$                        | \$       |
| 663,000           | 664,459                   | 1,459    | 61,400             | 59,500<br>175             | (1,900)<br>175 |  |                           |          |
| 663,000           | 664,459                   | 1,459    | 61,400             | 59,675                    | (1,725)        |  |                           |          |
|                   |                           |          |                    |                           |                |  |                           |          |
|                   |                           |          |                    |                           |                |  |                           |          |
| 663,000           | 664,459                   | 1,459    | 61,400             | 59,675                    | (1,725)        |  |                           |          |
|                   |                           |          |                    |                           |                |  |                           |          |
|                   |                           |          |                    |                           |                |  |                           |          |
| 663,000           | 664,459                   | 1,459    | 61,400             | 59,675                    | (1,725)        |  |                           |          |
| (602,300)         | (602,300)                 |          |                    |                           |                |  |                           |          |
| (602,300)         | (602,300)                 |          |                    |                           |                |  |                           |          |
| 60,700            | 62,159                    | 1,459    | 61,400             | 59,675                    | (1,725)        |  |                           |          |
| 373,632           | 373,632                   |          | 20,814             | 20,814                    |                | 40,683                                 | 40,683                    |          |
| \$ 434,332        | \$ 435,791                | \$ 1,459 | \$ 82,214          | \$ 80,489                 | \$ (1,725)     | \$ 40,683                              | \$ 40,683                 | \$       |

(continued)

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
 NONMAJOR SPECIAL REVENUE FUNDS  
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

|  | Dangerous Structures Bond |                           |            | Totals            |                           |            |
|--|---------------------------|---------------------------|------------|-------------------|---------------------------|------------|
|  | Revised<br>Budget         | Actual<br>Budget<br>Basis | Variance   | Revised<br>Budget | Actual<br>Budget<br>Basis | Variance   |
| REVENUES   |                           |                           |            |                   |                           |            |
| Hotel taxes  | \$                        | \$                        | \$         | \$ 1,918,000      | \$ 1,932,530              | \$ 14,530  |
| Fines, forfeitures, and assessments                            |                           |                           |            | 696,511           | 670,664                   | (25,847)   |
| Franchise taxes  |                           |                           |            | 61,400            | 59,500                    | (1,900)    |
| Investment income  | 10,000                    | 9,664                     | (336)      | 697,000           | 694,844                   | (2,156)    |
| Intergovernmental  |                           |                           |            | 121,081           | 101,337                   | (19,744)   |
| Donations and miscellaneous                                    |                           |                           |            | 311,639           | 286,806                   | (24,833)   |
| Total revenues   | 10,000                    | 9,664                     | (336)      | 3,805,631         | 3,745,681                 | (59,950)   |
| EXPENDITURES   |                           |                           |            |                   |                           |            |
| General government   | 10,000                    | 3,388                     | 6,612      | 151,700           | 128,838                   | 22,862     |
| Public safety  |                           |                           |            | 777,322           | 607,650                   | 169,672    |
| Culture and recreation   |                           |                           |            | 1,420,726         | 1,308,262                 | 112,464    |
| Loss due to decline in market value<br>of land held for resale | 450,000                   | 38,768                    | 411,232    | 450,000           | 38,768                    | 411,232    |
| Total expenditures   | 460,000                   | 42,156                    | 417,844    | 2,799,748         | 2,083,518                 | 716,230    |
| Excess (deficiency) of revenues over<br>(under) expenditures   | (450,000)                 | (32,492)                  | 417,508    | 1,005,883         | 1,662,163                 | 656,280    |
| OTHER FINANCING USES   |                           |                           |            |                   |                           |            |
| Transfers out  | (174,000)                 | (174,000)                 |            | (1,607,200)       | (1,607,200)               |            |
| Total other financing uses                                     | (174,000)                 | (174,000)                 |            | (1,607,200)       | (1,607,200)               |            |
| Net change in fund balances                                    | (624,000)                 | (206,492)                 | 417,508    | (601,317)         | 54,963                    | 656,280    |
| Fund balances--beginning                                       | 4,030,444                 | 4,030,444                 |            | 6,099,843         | 6,099,843                 |            |
| Fund balances--ending  | \$ 3,406,444              | \$ 3,823,952              | \$ 417,508 | \$ 5,498,526      | \$ 6,154,806              | \$ 656,280 |

(concluded)



SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
 DEBT SERVICE FUND  
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

|   | Revised<br>Budget | Actual<br>Budget<br>Basis | Variance    |
|---|-------------------|---------------------------|-------------|
| REVENUES                                  |                   |                           |             |
| Property taxes                            | \$ 1,577,100      | \$ 1,506,427              | \$ (70,673) |
| EXPENDITURES                              |                   |                           |             |
| Principal retirement                      | 3,470,000         | 3,470,000                 |             |
| Interest and fiscal agent charges         | 792,300           | 773,819                   | 18,481      |
| Issuance costs                            | 133,500           | 108,637                   | 24,863      |
| Total expenditures                        | 4,395,800         | 4,352,456                 | 43,344      |
| Deficiency of revenues under expenditures | (2,818,700)       | (2,846,029)               | (27,329)    |
| OTHER FINANCING SOURCES (USES)            |                   |                           |             |
| Transfers in                              | 1,057,820         | 1,057,820                 |             |
| Refunding bonds issued                    | 7,035,000         | 7,035,000                 |             |
| Premium on refunding bonds issued         | 19,100            | 19,057                    | (43)        |
| Payment to refund bond escrow agent       | (6,950,300)       | (6,950,250)               | 50          |
| Total other financing sources             | 1,161,620         | 1,161,627                 | 7           |
| Net change in fund balances               | (1,657,080)       | (1,684,402)               | (27,322)    |
| Fund balances--beginning                  | 1,906,300         | 1,906,300                 |             |
| Fund balances--ending                     | \$ 249,220        | \$ 221,898                | \$ (27,322) |

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## COMBINING FINANCIAL STATEMENTS

### INTERNAL SERVICE FUNDS

The Internal Service Funds account for the financing services provided by one department to other departments of the City on a cost reimbursement basis. The following is a description of the City's Internal Service Funds:

Equipment Services Fund - to account for materials and supplies provided exclusively to other funds and departments of the City.

Workers' Compensation Fund - to account for the City's workers' compensation self-insurance program.

Health Claims Fund – to account for the City's group health self-insurance program for employees, retirees, and their immediate families.

COMBINING STATEMENT OF NET POSITION  
INTERNAL SERVICE FUNDS  
SEPTEMBER 30, 2012

|   | Equipment<br>Services | Workers'<br>Compensation | Health<br>Claims | Total        |
|---|-----------------------|--------------------------|------------------|--------------|
| <b>ASSETS</b>                                     |                       |                          |                  |              |
| Current assets:                                   |                       |                          |                  |              |
| Cash, cash equivalents, and investments           | \$ 112,581            | \$ 482,942               | \$ 418,776       | \$ 1,014,299 |
| Receivables (net of allowance for uncollectibles) |                       |                          | 57,328           | 57,328       |
| Inventories                                       | 71,585                |                          |                  | 71,585       |
| Prepaid items                                     | 5,001                 |                          |                  | 5,001        |
| Deposits  |                       | 29,000                   |                  | 29,000       |
| Total current assets                              | 189,167               | 511,942                  | 476,104          | 1,177,213    |
| Noncurrent assets:                                |                       |                          |                  |              |
| Capital assets:                                   |                       |                          |                  |              |
| Nondepreciable                                    | 8,170                 |                          |                  | 8,170        |
| Depreciable, net of accumulated depreciation      | 141,287               |                          |                  | 141,287      |
| Total noncurrent assets                           | 149,457               |                          |                  | 149,457      |
| Total assets                                      | 338,624               | 511,942                  | 476,104          | 1,326,670    |
| <b>LIABILITIES</b>                                |                       |                          |                  |              |
| Current liabilities:                              |                       |                          |                  |              |
| Accounts payable and accrued liabilities          | 94,927                | 18,611                   | 64,060           | 177,598      |
| Compensated absences                              | 24,214                |                          |                  | 24,214       |
| Claims payable                                    |                       | 147,378                  | 412,044          | 559,422      |
| Total current liabilities                         | 119,141               | 165,989                  | 476,104          | 761,234      |
| Noncurrent liabilities:                           |                       |                          |                  |              |
| Compensated absences                              | 51,225                |                          |                  | 51,225       |
| Claims payable                                    |                       | 187,572                  |                  | 187,572      |
| Other post employment benefits obligation         | 18,801                |                          |                  | 18,801       |
| Total noncurrent liabilities                      | 70,026                | 187,572                  |                  | 257,598      |
| Total liabilities                                 | 189,167               | 353,561                  | 476,104          | 1,018,832    |
| <b>NET POSITION</b>                               |                       |                          |                  |              |
| Net Investment in capital assets                  | 149,457               |                          |                  | 149,457      |
| Unrestricted                                      |                       | 158,381                  |                  | 158,381      |
| Total net position                                | \$ 149,457            | \$ 158,381               | \$               | \$ 307,838   |

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
INTERNAL SERVICE FUNDS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

|                                 | Equipment<br>Services | Workers'<br>Compensation | Health<br>Claims | Total        |
|---------------------------------|-----------------------|--------------------------|------------------|--------------|
| Operating revenues              |                       |                          |                  |              |
| Charges for services            | \$ 2,284,662          | \$                       | \$               | \$ 2,284,662 |
| Contributions and miscellaneous |                       | 340,524                  | 3,703,011        | 4,043,535    |
| Total operating revenues        | 2,284,662             | 340,524                  | 3,703,011        | 6,328,197    |
| Operating expenses              |                       |                          |                  |              |
| Personal services               | 547,914               |                          |                  | 547,914      |
| Materials and supplies          | 1,513,107             |                          |                  | 1,513,107    |
| Maintenance and utilities       | 223,779               |                          |                  | 223,779      |
| Insurance claims and expenses   |                       | 228,106                  | 4,003,011        | 4,231,117    |
| Depreciation                    | 53,186                |                          |                  | 53,186       |
| Total operating expenses        | 2,337,986             | 228,106                  | 4,003,011        | 6,569,103    |
| Operating income (loss)         | (53,324)              | 112,418                  | (300,000)        | (240,906)    |
| Transfers in                    |                       |                          | 300,000          | 300,000      |
| Transfers out                   |                       | (300,000)                |                  | (300,000)    |
| Change in net position          | (53,324)              | (187,582)                |                  | (240,906)    |
| Net position--beginning         | 202,781               | 345,963                  |                  | 548,744      |
| Net position--ending            | \$ 149,457            | \$ 158,381               | \$               | \$ 307,838   |

COMBINING STATEMENT OF CASH FLOWS  
INTERNAL SERVICE FUNDS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

|   | Equipment<br>Services | Workers'<br>Compensation | Health<br>Claims | Total        |
|---|-----------------------|--------------------------|------------------|--------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |                       |                          |                  |              |
| Receipts from interfund services provided   | \$ 2,285,301          | \$ 350,524               | \$ 3,754,204     | \$ 6,390,029 |
| Payments to suppliers   | (1,806,298)           |                          |                  | (1,806,298)  |
| Payments to employees   | (538,828)             |                          |                  | (538,828)    |
| Payments for claims   |                       | (148,772)                | (3,945,582)      | (4,094,354)  |
| Net cash provided by (used for) operating activities  | (59,825)              | 201,752                  | (191,378)        | (49,451)     |
| <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>  |                       |                          |                  |              |
| Transfer in from other funds  |                       |                          | 300,000          | 300,000      |
| Transfer out to other funds   |                       | (300,000)                |                  | (300,000)    |
| Net cash provided by (used for) noncapital financing activities   |                       | (300,000)                | 300,000          |              |
| Net increase (decrease) in cash and cash equivalents  | (59,825)              | (98,248)                 | 108,622          | (49,451)     |
| Cash and cash equivalents - beginning of year   | 172,406               | 581,190                  | 310,154          | 1,063,750    |
| Cash and cash equivalents - end of year   | \$ 112,581            | \$ 482,942               | \$ 418,776       | \$ 1,014,299 |
| Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:        |                       |                          |                  |              |
| Operating income (loss)   | \$ (53,324)           | \$ 112,418               | \$ (300,000)     | \$ (240,906) |
| Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities: |                       |                          |                  |              |
| Depreciation  | 53,186                |                          |                  | 53,186       |
| Changes in assets and liabilities:  |                       |                          |                  |              |
| (Increase) decrease in receivables  | 639                   |                          | (40,807)         | (40,168)     |
| (Increase) in inventories   | (16,452)              |                          |                  | (16,452)     |
| Decrease in deposits  |                       | 10,000                   | 92,000           | 102,000      |
| (Increase) in prepaid expense   | (176)                 |                          |                  | (176)        |
| Increase (decrease) in accrued liabilities  | (55,375)              | 1,573                    | 7,161            | (46,641)     |
| Increase in claims payable  |                       | 77,761                   | 50,268           | 128,029      |
| Increase in OPEB liability  | 1,212                 |                          |                  | 1,212        |
| Increase in accrued compensated absences  | 10,465                |                          |                  | 10,465       |
| Net cash provided by (used for) operating activities  | \$ (59,825)           | \$ 201,752               | \$ (191,378)     | \$ (49,451)  |

## STATISTICAL SECTION (Unaudited)

The City of Farmers Branch's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

|                                   | Page     |
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| Financial Trends                  | 74 – 81  |
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Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

CITY OF FARMERS BRANCH, TEXAS

NET POSITION BY COMPONENT  
LAST TEN FISCAL YEARS  
(accrual basis of accounting)  
(UNAUDITED)

|   | Fiscal Year           |                       |                       |                       |                       |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
|   | <u>2003</u>           | <u>2004</u>           | <u>2005</u>           | <u>2006</u>           | <u>2007</u>           |
| Governmental activities:                    |                       |                       |                       |                       |                       |
| Net investment in capital assets            | \$ 87,122,311         | \$ 90,059,354         | \$ 93,781,812         | \$ 98,657,412         | \$ 99,715,472         |
| Restricted                                  | 4,976,354             | 3,260,438             | 5,442,628             | 2,237,530             | 4,189,986             |
| Unrestricted                                | 22,339,613            | 20,318,481            | 16,924,700            | 17,915,931            | 15,941,239            |
| Total governmental activities net position  | <u>\$ 114,438,278</u> | <u>\$ 113,638,273</u> | <u>\$ 116,149,140</u> | <u>\$ 118,810,873</u> | <u>\$ 119,846,697</u> |
| Business-type activities:                   |                       |                       |                       |                       |                       |
| Net investment in capital assets            | \$ 42,643,924         | \$ 42,594,070         | \$ 42,492,826         | \$ 44,402,198         | \$ 43,151,947         |
| Restricted                                  | 6,218,858             | 5,612,230             | 5,273,778             | 4,926,756             |                       |
| Unrestricted                                | 9,311,455             | 8,337,951             | 8,689,125             | 12,289,442            | 17,158,640            |
| Total business-type activities net position | <u>\$ 58,174,237</u>  | <u>\$ 56,544,251</u>  | <u>\$ 56,455,729</u>  | <u>\$ 61,618,396</u>  | <u>\$ 60,310,587</u>  |
| Primary government:                         |                       |                       |                       |                       |                       |
| Net investment in capital assets            | \$ 129,766,235        | \$ 132,653,424        | \$ 136,274,638        | \$ 143,059,610        | \$ 142,867,419        |
| Restricted                                  | 11,195,212            | 8,872,668             | 10,716,406            | 7,164,286             | 4,189,986             |
| Unrestricted                                | 31,651,068            | 28,656,432            | 25,613,825            | 30,205,373            | 33,099,879            |
| Total primary government net position       | <u>\$ 172,612,515</u> | <u>\$ 170,182,524</u> | <u>\$ 172,604,869</u> | <u>\$ 180,429,269</u> | <u>\$ 180,157,284</u> |

Notes:

(1) The fiscal year 2003 through 2009 governmental activities net investment in capital assets and unrestricted net position have been restated with the retroactive application of GASB Statement 51 to include intangible assets.

(2) The fiscal year 2010 governmental activities were restated with implementation of GASB Statement 61 and inclusion of the Farmers Branch Local Government Corporation as a blended component unit instead of as a discretely presented component unit.

(3) The fiscal year 2011 governmental activities were restated with implementation of GASB Statement 65 and elimination of deferred charges for issuance costs.



TABLE 1

| Fiscal Year           |                       |                       |                       |                       |
|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| <u>2008</u>           | <u>2009</u>           | <u>2010</u>           | <u>2011</u>           | <u>2012</u>           |
| \$ 103,125,530        | \$ 101,952,256        | \$ 104,287,452        | \$ 102,606,658        | \$ 101,949,868        |
| 4,597,310             | 6,694,969             | 3,481,483             | 3,717,854             | 3,451,946             |
| 8,317,303             | (3,195,423)           | (11,074,138)          | (11,993,823)          | (14,520,916)          |
| <u>\$ 116,040,143</u> | <u>\$ 105,451,802</u> | <u>\$ 96,694,797</u>  | <u>\$ 94,330,689</u>  | <u>\$ 90,880,898</u>  |
|                       |                       |                       |                       |                       |
| \$ 44,301,036         | \$ 43,477,996         | \$ 42,116,214         | \$ 40,934,305         | \$ 40,608,870         |
| 17,149,733            | 16,882,766            | 15,985,128            | 15,810,965            | 15,129,064            |
| <u>\$ 61,450,769</u>  | <u>\$ 60,360,762</u>  | <u>\$ 58,101,342</u>  | <u>\$ 56,745,270</u>  | <u>\$ 55,737,934</u>  |
|                       |                       |                       |                       |                       |
| \$ 147,426,566        | \$ 145,430,252        | \$ 146,403,666        | \$ 143,540,963        | \$ 142,558,738        |
| 4,597,310             | 6,694,969             | 3,481,483             | 3,717,854             | 3,451,946             |
| 25,467,036            | 13,687,343            | 4,910,990             | 3,817,142             | 608,148               |
| <u>\$ 177,490,912</u> | <u>\$ 165,812,564</u> | <u>\$ 154,796,139</u> | <u>\$ 151,075,959</u> | <u>\$ 146,618,832</u> |

## CHANGES IN NET POSITION

## LAST TEN FISCAL YEARS

(accrual basis of accounting)

(UNAUDITED)

|   | Fiscal Year     |                 |                 |                 |                 |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|
|   | 2003            | 2004            | 2005            | 2006            | 2007            |
| <b>Expenses</b>   |                 |                 |                 |                 |                 |
| Governmental activities:                                  |                 |                 |                 |                 |                 |
| General government  | \$ 7,481,295    | \$ 7,861,552    | \$ 7,797,289    | \$ 8,489,684    | \$ 12,193,622   |
| Public safety   | 14,624,275      | 14,854,374      | 15,536,770      | 15,934,442      | 18,387,710      |
| Public works  | 11,779,719      | 11,152,223      | 10,497,625      | 11,940,111      | 10,370,758      |
| Culture and recreation                                    | 9,764,220       | 13,689,052      | 11,041,720      | 11,292,821      | 11,553,232      |
| Interest on long-term debt                                | 1,093,578       | 978,999         | 1,240,816       | 1,353,926       | 1,386,599       |
| Unallocated depreciation                                  | 138,735         | 141,602         | 144,510         | 166,626         | 137,656         |
| Total governmental activities expenses                    | 44,881,822      | 48,677,802      | 46,258,730      | 49,177,610      | 54,029,577      |
| Business-type activities:                                 |                 |                 |                 |                 |                 |
| Water and sewer   | 10,666,145      | 10,710,107      | 10,269,021      | 10,646,221      | 11,337,031      |
| Public improvement district                               | 234,163         | 215,513         | 222,959         | 216,572         |                 |
| Total business-type activities expenses                   | 10,900,308      | 10,925,620      | 10,491,980      | 10,862,793      | 11,337,031      |
| Total primary government expenses                         | \$ 55,782,130   | \$ 59,603,422   | \$ 56,750,710   | \$ 60,040,403   | \$ 65,366,608   |
| <b>Program Revenues</b>                                   |                 |                 |                 |                 |                 |
| Governmental activities:                                  |                 |                 |                 |                 |                 |
| Charges for services                                      |                 |                 |                 |                 |                 |
| Public safety   | \$ 3,503,599    | \$ 3,978,897    | \$ 3,967,328    | \$ 3,906,555    | \$ 4,035,373    |
| Public works  | 3,446,822       | 3,260,049       | 3,550,264       | 3,536,009       | 3,420,085       |
| Other   | 1,066,920       | 1,616,740       | 1,599,155       | 1,789,155       | 1,883,712       |
| Operating grants and contributions                        | 181,750         | 122,933         | 64,746          | 140,829         | 182,355         |
| Capital grants and contributions                          | 671,174         | 2,626,760       | 1,566,453       | 1,888,355       | 1,044,978       |
| Total governmental activities program revenues            | 8,870,265       | 11,605,379      | 10,747,946      | 11,260,903      | 10,566,503      |
| Business-type activities:                                 |                 |                 |                 |                 |                 |
| Charges for services                                      | 10,816,097      | 10,888,765      | 12,018,005      | 15,360,543      | 12,116,611      |
| Capital grants and contributions                          | 680,244         | 317,971         | 185,349         | 109,804         | 98,906          |
| Total business-type activities program revenues           | 11,496,341      | 11,206,736      | 12,203,354      | 15,470,347      | 12,215,517      |
| Total primary government program revenues                 | \$ 20,366,606   | \$ 22,812,115   | \$ 22,951,300   | \$ 26,731,250   | \$ 22,782,020   |
| <b>Net (Expense)/Revenue</b>                              |                 |                 |                 |                 |                 |
| Governmental activities                                   | \$ (36,011,557) | \$ (37,072,423) | \$ (35,510,784) | \$ (37,916,707) | \$ (43,463,074) |
| Business-type activities                                  | 596,033         | 281,116         | 1,711,374       | 4,607,554       | 878,486         |
| Total primary government net expense                      | \$ (35,415,524) | \$ (36,791,307) | \$ (33,799,410) | \$ (33,309,153) | \$ (42,584,588) |
| <b>General Revenues and Other Changes in Net Position</b> |                 |                 |                 |                 |                 |
| Governmental activities:                                  |                 |                 |                 |                 |                 |
| Taxes   |                 |                 |                 |                 |                 |
| Property taxes, levied for general purposes               | \$ 13,084,066   | \$ 12,644,154   | \$ 12,866,630   | \$ 13,315,728   | \$ 14,413,089   |
| Property taxes, levied for debt service                   | 3,302,678       | 3,348,361       | 3,496,761       | 3,223,213       | 3,247,023       |
| Sales and use taxes                                       | 10,048,764      | 10,277,538      | 10,789,405      | 11,240,717      | 12,367,492      |
| Other taxes   | 7,317,863       | 7,215,972       | 7,121,051       | 9,545,758       | 7,873,881       |
| Investment income   | 1,085,223       | 757,793         | 1,720,704       | 3,225,628       | 3,487,671       |
| Gain on sale/retirement of capital assets                 | (1,138,493)     |                 |                 | 45,001          | 212,352         |
| Transfers   | 1,971,800       | 2,028,600       | 2,027,100       | (17,605)        | 2,897,390       |
| Total governmental activities                             | 35,671,901      | 36,272,418      | 38,021,651      | 40,578,440      | 44,498,898      |
| Business-type activities:                                 |                 |                 |                 |                 |                 |
| Investment income   | 264,411         | 117,498         | 227,204         | 537,508         | 760,195         |
| Gain on sale/retirement of capital assets                 |                 |                 |                 |                 | (49,100)        |
| Transfers   | (1,971,800)     | (2,028,600)     | (2,027,100)     | 17,605          | (2,897,390)     |
| Total business-type activities                            | (1,707,389)     | (1,911,102)     | (1,799,896)     | 555,113         | (2,186,295)     |
| Total primary government                                  | \$ 33,964,512   | \$ 34,361,316   | \$ 36,221,755   | \$ 41,133,553   | \$ 42,312,603   |
| <b>Change in Net Position</b>                             |                 |                 |                 |                 |                 |
| Governmental activities                                   | \$ (339,656)    | \$ (800,005)    | \$ 2,510,867    | \$ 2,661,733    | \$ 1,035,824    |
| Business-type activities                                  | (1,111,356)     | (1,629,986)     | (88,522)        | 5,162,667       | (1,307,809)     |
| Total primary government                                  | \$ (1,451,012)  | \$ (2,429,991)  | \$ 2,422,345    | \$ 7,824,400    | \$ (271,985)    |

## Notes:

(1) The fiscal year 2003 through 2009 governmental activities net investment in capital assets and unrestricted net position have been restated with the retroactive application of GASB Statement 51 to include intangible assets.

(2) The fiscal year 2010 governmental activities were restated with implementation of GASB Statement 61 and inclusion of the Farmers Branch Local Government Corporation as a blended component unit instead of as a discretely presented component unit.

TABLE 2

| Fiscal Year     |                 |                 |                 |                 |
|-----------------|-----------------|-----------------|-----------------|-----------------|
| 2008            | 2009            | 2010            | 2011            | 2012            |
| \$ 12,551,044   | \$ 11,451,397   | \$ 16,076,156   | \$ 11,438,960   | \$ 11,884,776   |
| 20,503,576      | 21,375,045      | 22,032,570      | 22,439,143      | 21,414,818      |
| 11,198,781      | 16,056,692      | 9,739,019       | 8,562,557       | 8,509,565       |
| 12,329,063      | 12,838,761      | 13,335,886      | 12,824,261      | 12,866,193      |
| 1,696,424       | 1,662,921       | 1,925,378       | 1,821,645       | 1,775,374       |
| 132,412         | 32,530          | 129,904         | 126,464         | 605,266         |
| 58,411,300      | 63,417,346      | 63,238,913      | 57,213,030      | 57,055,992      |
| 11,653,500      | 12,202,196      | 12,889,881      | 11,937,355      | 11,712,523      |
| 11,653,500      | 12,202,196      | 12,889,881      | 11,937,355      | 11,712,523      |
| \$ 70,064,800   | \$ 75,619,542   | \$ 76,128,794   | \$ 69,150,385   | \$ 68,768,515   |
| \$ 3,974,945    | \$ 3,840,336    | \$ 4,264,166    | \$ 4,241,073    | \$ 3,989,457    |
| 2,914,097       | 2,202,169       | 2,753,067       | 2,726,198       | 2,308,598       |
| 1,896,556       | 1,493,047       | 1,519,291       | 2,109,977       | 2,356,793       |
| 309,283         | 134,927         | 286,011         | 151,228         | 310,341         |
| 1,552,729       | 292,271         | 1,460,179       | 720,581         | 709,138         |
| 10,647,610      | 7,962,750       | 10,282,714      | 9,949,057       | 9,674,327       |
| 13,541,391      | 14,188,751      | 13,368,650      | 14,737,572      | 14,059,819      |
| 13,541,391      | 14,188,751      | 13,368,650      | 14,737,572      | 14,059,819      |
| \$ 24,189,001   | \$ 22,151,501   | \$ 23,651,364   | \$ 24,686,629   | \$ 23,734,146   |
| \$ (47,763,690) | \$ (55,454,596) | \$ (52,956,199) | \$ (47,263,973) | \$ (47,381,665) |
| 1,887,891       | 1,986,555       | 478,769         | 2,800,217       | 2,347,296       |
| \$ (45,875,799) | \$ (53,468,041) | \$ (52,477,430) | \$ (44,463,756) | \$ (45,034,369) |
| \$ 16,646,283   | \$ 17,087,985   | \$ 18,311,639   | \$ 18,109,178   | \$ 17,284,378   |
| 2,139,338       | 2,147,917       | 2,731,178       | 1,474,045       | 1,506,258       |
| 12,458,643      | 11,912,047      | 10,890,296      | 11,988,696      | 12,750,809      |
| 8,281,023       | 8,332,827       | 7,649,667       | 8,050,487       | 7,123,827       |
| 3,010,414       | 1,998,392       | 1,777,261       | 1,379,360       | 1,341,782       |
| 222,568         | 36,787          | 20,953          | 56,546          | 536,320         |
| 1,198,867       | 3,350,300       | 2,818,200       | 4,211,400       | 3,388,500       |
| 43,957,136      | 44,866,255      | 44,199,194      | 45,269,712      | 43,931,874      |
| 428,409         | 248,022         | 62,486          | 55,111          | 33,868          |
| 22,749          | 25,716          | 17,525          |                 |                 |
| (1,198,867)     | (3,350,300)     | (2,818,200)     | (4,211,400)     | (3,388,500)     |
| (747,709)       | (3,076,562)     | (2,738,189)     | (4,156,289)     | (3,354,632)     |
| \$ 43,209,427   | \$ 41,789,693   | \$ 41,461,005   | \$ 41,113,423   | \$ 40,577,242   |
| \$ (3,806,554)  | \$ (10,588,341) | \$ (8,757,005)  | \$ (1,994,261)  | \$ (3,449,791)  |
| 1,140,182       | (1,090,007)     | (2,259,420)     | (1,356,072)     | (1,007,336)     |
| \$ (2,666,372)  | \$ (11,678,348) | \$ (11,016,425) | \$ (3,350,333)  | \$ (4,457,127)  |

CITY OF FARMERS BRANCH, TEXAS

FUND BALANCES, GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

(modified accrual basis of accounting)

(UNAUDITED)

|                                    | Fiscal Year          |                      |                      |                      |                      |
|------------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
|                                    | <u>2003</u>          | <u>2004</u>          | <u>2005</u>          | <u>2006</u>          | <u>2007</u>          |
| General Fund                       |                      |                      |                      |                      |                      |
| Nondisposable                      | \$ 8,037             | \$ 13,999            | \$ 16,363            | \$ 20,911            | \$ 30,163            |
| Committed                          | 587,102              | 381,602              | 188,381              |                      | 784,232              |
| Assigned                           | 3,006,112            | 2,640,563            | 1,816,932            | 1,576,072            | 2,497,634            |
| Unassigned                         | 10,341,067           | 10,565,115           | 11,106,626           | 13,536,718           | 8,632,983            |
| Total general fund                 | <u>\$ 13,942,318</u> | <u>\$ 13,601,279</u> | <u>\$ 13,128,302</u> | <u>\$ 15,133,701</u> | <u>\$ 11,945,012</u> |
| All Other Governmental Funds       |                      |                      |                      |                      |                      |
| Nondisposable                      | \$ 204,027           | \$ 204,129           | \$ 203,816           | \$ 204,301           | \$ 204,107           |
| Restricted                         | 12,184,866           | 10,238,245           | 12,973,187           | 12,838,474           | 15,707,905           |
| Assigned                           | 15,687,461           | 15,685,136           | 12,914,110           | 9,556,225            | 10,572,323           |
| Unassigned                         | (3,422)              |                      |                      | (31,364)             | (35,459)             |
| Total all other governmental funds | <u>\$ 28,072,932</u> | <u>\$ 26,127,510</u> | <u>\$ 26,091,113</u> | <u>\$ 22,567,636</u> | <u>\$ 26,448,876</u> |

Notes:

(1) Fiscal years 2003 through 2008 have been reclassified with implementation of GASB Statement 54 in fiscal year 2009.

(2) Fiscal year 2010 was restated with implementation of GASB Statement 61 in fiscal year 2011.

TABLE 3

| Fiscal Year          |                      |                      |                      |                      |
|----------------------|----------------------|----------------------|----------------------|----------------------|
| <u>2008</u>          | <u>2009</u>          | <u>2010</u>          | <u>2011</u>          | <u>2012</u>          |
| \$ 20,853            | \$ 17,375            | \$ 7,567             | \$ 50,752            | \$ 68,355            |
| 65,100               | 40,277               |                      |                      |                      |
| 2,321,595            | 1,100,824            | 394,086              | 2,314,053            | 2,901,641            |
| 6,633,937            | 7,670,573            | 8,226,571            | 9,280,794            | 8,629,830            |
| <u>\$ 9,041,485</u>  | <u>\$ 8,829,049</u>  | <u>\$ 8,628,224</u>  | <u>\$ 11,645,599</u> | <u>\$ 11,599,826</u> |
|                      |                      |                      |                      |                      |
| \$ 204,406           | \$ 333,931           | \$ 205,312           | \$ 212,669           | \$ 5,518             |
| 22,688,373           | 15,791,814           | 20,614,884           | 16,893,106           | 13,893,159           |
| 6,370,872            | 2,336,975            | 2,487,727            | 1,953,244            | 538,109              |
|                      |                      | (130,728)            | (77,942)             |                      |
| <u>\$ 29,263,651</u> | <u>\$ 18,462,720</u> | <u>\$ 23,177,195</u> | <u>\$ 18,981,077</u> | <u>\$ 14,436,786</u> |

## CITY OF FARMERS BRANCH, TEXAS

## CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS

## LAST TEN FISCAL YEARS

(modified accrual basis of accounting)

(UNAUDITED)

|  | Fiscal Year   |               |               |               |               |
|--|---------------|---------------|---------------|---------------|---------------|
|  | 2003          | 2004          | 2005          | 2006          | 2007          |
| <b>REVENUES</b>  |               |               |               |               |               |
| Property taxes   | \$ 16,176,029 | \$ 15,948,557 | \$ 16,283,045 | \$ 16,654,207 | \$ 17,521,813 |
| Sales and use taxes  | 10,048,764    | 10,277,538    | 10,789,405    | 11,240,717    | 12,367,492    |
| Hotel/motel taxes  | 1,797,279     | 1,786,530     | 1,965,693     | 2,249,499     | 2,487,792     |
| Franchise taxes  | 4,622,907     | 4,577,748     | 4,401,914     | 5,846,634     | 4,649,499     |
| Tax increment financing  | 809,087       | 1,315,748     | 739,795       | 727,185       | 483,258       |
| Licenses and permits   | 535,374       | 679,716       | 702,623       | 901,032       | 847,741       |
| Charges for services   | 4,689,125     | 5,003,761     | 5,474,608     | 5,521,947     | 5,575,733     |
| Fines and forfeitures  | 2,653,967     | 2,941,491     | 2,816,349     | 2,651,545     | 2,788,819     |
| Special assessments  |               |               |               |               |               |
| Investment income  | 1,085,223     | 757,793       | 1,693,480     | 2,799,628     | 3,134,483     |
| Intergovernmental  | 750,456       | 2,687,914     | 1,395,173     | 1,866,433     | 1,128,092     |
| Miscellaneous  | 180,213       | 355,717       | 355,518       | 297,542       | 216,380       |
| Total revenues   | 43,348,424    | 46,332,513    | 46,617,603    | 50,756,369    | 51,201,102    |
| <b>EXPENDITURES</b>  |               |               |               |               |               |
| General government   | 7,450,269     | 7,748,593     | 7,604,968     | 8,441,567     | 9,908,182     |
| Public safety  | 14,412,305    | 15,989,098    | 16,344,952    | 16,216,083    | 17,049,311    |
| Public works   | 7,154,373     | 6,583,462     | 6,685,000     | 6,750,691     | 7,181,345     |
| Culture and recreation   | 9,488,766     | 9,475,882     | 10,143,731    | 10,606,767    | 10,762,858    |
| Debt service:  |               |               |               |               |               |
| Principal retirement   | 3,311,709     | 3,155,000     | 3,220,000     | 3,320,000     | 3,565,000     |
| Interest and fiscal agent charges                              | 928,393       | 613,301       | 961,455       | 863,056       | 747,375       |
| Issuance costs   | 189,949       | 234,310       |               |               | 6,000         |
| Loss due to decline in market value                            |               |               |               |               |               |
| Capital outlay   | 10,546,677    | 16,248,988    | 8,197,375     | 9,957,833     | 8,260,060     |
| Total expenditures   | 53,482,441    | 60,048,634    | 53,157,481    | 56,155,997    | 57,480,131    |
| Deficiency of revenues<br>under expenditures                   | (10,134,017)  | (13,716,121)  | (6,539,878)   | (5,399,628)   | (6,279,029)   |
| <b>OTHER FINANCING SOURCES (USES)</b>                          |               |               |               |               |               |
| Transfers in   | 5,848,900     | 4,245,511     | 4,231,842     | 4,895,008     | 10,676,789    |
| Transfers out  | (3,877,100)   | (2,216,911)   | (2,204,742)   | (2,669,708)   | (6,040,076)   |
| Proceeds from developer advances                               | 16,900        | 253,390       | 3,849,257     | 1,398,727     | 2,937,952     |
| Certificates of obligation issued                              | 13,748,662    | 8,865,000     |               |               |               |
| General obligation refunding and improve-<br>ment bonds issued |               |               |               |               |               |
| Premiums on debt issued  |               |               |               |               |               |
| Payment to refunded bond escrow agent                          | (13,535,212)  |               |               |               | (917,004)     |
| Discount on refunded bonds                                     | (13,545)      | (15,262)      |               |               |               |
| Sale of capital assets/insurance recoveries                    | 46,546        | 297,932       | 154,147       | 257,523       | 313,919       |
| Total other financing sources                                  | 2,235,151     | 11,429,660    | 6,030,504     | 3,881,550     | 6,971,580     |
| Net change in fund balances                                    | (7,898,866)   | (2,286,461)   | (509,374)     | (1,518,078)   | 692,551       |
| Debt service as a percentage of<br>noncapital expenditures     | 9.44%         | 7.93%         | 9.59%         | 9.16%         | 8.38%         |

(1) Fiscal year 2010 was restated with implementation of GASB Statement 61 in fiscal year 2011

TABLE 4

| Fiscal Year         |                     |                     |                    |                    |
|---------------------|---------------------|---------------------|--------------------|--------------------|
| <u>2008</u>         | <u>2009</u>         | <u>2010</u>         | <u>2011</u>        | <u>2012</u>        |
| \$ 18,749,053       | \$ 19,256,366       | \$ 21,260,191       | \$ 19,638,998      | \$ 18,743,734      |
| 12,458,643          | 11,912,047          | 10,890,296          | 11,988,696         | 12,750,809         |
| 2,507,434           | 1,974,308           | 1,821,619           | 2,017,819          | 1,932,530          |
| 4,550,441           | 4,338,892           | 4,217,372           | 4,628,888          | 4,224,443          |
| 1,511,538           | 2,097,654           | 931,118             | 1,879,338          | 868,477            |
| 769,575             | 485,241             | 559,979             | 886,511            | 1,012,913          |
| 5,042,920           | 4,360,812           | 4,803,469           | 4,780,573          | 4,624,287          |
| 2,735,027           | 2,576,170           | 3,052,061           | 3,114,924          | 2,855,363          |
| 107,543             | 587,540             | 443,793             | 14,096             | 42,676             |
| 2,969,571           | 1,979,892           | 1,402,261           | 1,381,715          | 1,320,647          |
| 502,891             | 321,647             | 1,522,035           | 775,339            | 691,339            |
| 462,585             | 133,998             | 318,239             | 339,621            | 438,008            |
| <u>52,367,221</u>   | <u>50,024,567</u>   | <u>51,222,433</u>   | <u>51,446,518</u>  | <u>49,505,226</u>  |
| 12,199,482          | 9,937,817           | 10,171,825          | 9,710,233          | 11,405,984         |
| 19,651,803          | 20,486,227          | 20,359,951          | 20,706,962         | 21,217,452         |
| 7,711,943           | 7,001,379           | 7,041,562           | 6,424,763          | 6,132,641          |
| 11,421,188          | 11,614,329          | 12,160,356          | 11,875,903         | 11,951,546         |
| 2,410,000           | 3,577,937           | 4,315,000           | 3,600,000          | 3,720,000          |
| 827,386             | 789,523             | 962,417             | 1,212,169          | 773,819            |
| 48,923              |                     | 249,042             | 5,553              | 108,637            |
|                     |                     | 4,827,791           | 292,511            | 134,227            |
| <u>9,031,200</u>    | <u>11,078,507</u>   | <u>4,756,442</u>    | <u>3,499,651</u>   | <u>3,712,822</u>   |
| <u>63,301,925</u>   | <u>64,485,719</u>   | <u>64,844,386</u>   | <u>57,327,745</u>  | <u>59,157,128</u>  |
| <u>(10,934,704)</u> | <u>(14,461,152)</u> | <u>(13,621,953)</u> | <u>(5,881,227)</u> | <u>(9,651,902)</u> |
| 4,147,842           | 6,408,490           | 6,044,968           | 8,547,367          | 5,007,593          |
| (1,507,642)         | (3,058,190)         | (3,226,768)         | (4,335,967)        | (1,619,093)        |
| 7,750,000           |                     | 10,000,000          |                    |                    |
|                     |                     | 7,160,000           |                    | 7,035,000          |
|                     |                     | 142,956             |                    | 19,057             |
|                     |                     | (2,073,612)         |                    | (6,950,250)        |
| <u>455,752</u>      | <u>97,485</u>       | <u>88,059</u>       | <u>491,084</u>     | <u>1,569,531</u>   |
| <u>10,845,952</u>   | <u>3,447,785</u>    | <u>18,135,603</u>   | <u>4,702,484</u>   | <u>5,061,838</u>   |
| <u>(88,752)</u>     | <u>(11,013,367)</u> | <u>4,513,650</u>    | <u>(1,178,743)</u> | <u>(4,590,064)</u> |
| 5.98%               | 7.38%               | 8.87%               | 8.85%              | 8.28%              |

CITY OF FARMERS BRANCH, TEXAS

ESTIMATED ACTUAL AND ASSESSED VALUE OF TAXABLE PROPERTY  
LAST TEN FISCAL YEARS  
(UNAUDITED)

| FISCAL<br>YEAR | RESIDENTIAL PROPERTY |                |                   | COMMERCIAL PROPERTY |                |                   |
|----------------|----------------------|----------------|-------------------|---------------------|----------------|-------------------|
|                | ESTIMATED            | LESS:          | ASSESSED<br>VALUE | ESTIMATED           | LESS:          | ASSESSED<br>VALUE |
|                | ACTUAL               | TAX            |                   | ACTUAL              | TAX            |                   |
|                | VALUE                | EXEMPTIONS     |                   | VALUE               | EXEMPTIONS     |                   |
| 2003           | \$ 1,022,865,830     | \$ 327,966,324 | \$ 694,899,506    | \$ 2,295,268,480    | \$ 531,261,544 | \$ 1,764,006,936  |
| 2004           | 1,072,890,000        | 330,068,183    | 742,821,817       | 2,102,559,690       | 506,450,763    | 1,596,108,927     |
| 2005           | 1,099,799,270        | 324,929,103    | 774,870,167       | 1,830,594,430       | 372,949,338    | 1,457,645,092     |
| 2006           | 1,145,354,860        | 330,535,831    | 814,819,029       | 2,050,631,160       | 512,078,808    | 1,538,552,352     |
| 2007           | 1,154,512,990        | 328,858,113    | 825,654,877       | 2,230,116,920       | 461,723,606    | 1,768,393,314     |
| 2008           | 1,192,986,700        | 336,268,242    | 856,718,458       | 2,594,828,250       | 591,244,468    | 2,003,583,782     |
| 2009           | 1,230,445,290        | 336,926,429    | 893,518,861       | 2,649,217,110       | 543,942,277    | 2,105,274,833     |
| 2010           | 1,231,622,730        | 340,746,718    | 890,876,012       | 2,601,976,410       | 493,392,278    | 2,108,584,132     |
| 2011           | 1,202,295,560        | 352,180,154    | 850,115,406       | 2,506,603,830       | 527,024,423    | 1,979,579,407     |
| 2012           | 1,168,520,280        | 346,341,819    | 822,178,461       | 2,404,857,560       | 479,255,392    | 1,925,602,168     |

Source: Dallas Central Appraisal District

Note: Property in the city is reassessed at least every three years. Property is assessed at actual value; therefore, the assessed values are equal to actual value less exemptions. Tax rates are per \$100 of assessed value.



TABLE 5

| BUSINESS-PERSONAL PROPERTY |              |                   | TOTAL            |                |                   | TOTAL<br>DIRECT TAX<br>RATE |
|----------------------------|--------------|-------------------|------------------|----------------|-------------------|-----------------------------|
| ESTIMATED                  | LESS:        | ASSESSED<br>VALUE | ESTIMATED        | LESS:          | ASSESSED<br>VALUE |                             |
| ACTUAL                     | TAX          |                   | ACTUAL           | TAX            |                   |                             |
| VALUE                      | EXEMPTIONS   |                   | VALUE            | EXEMPTIONS     |                   |                             |
| \$ 1,328,059,140           | \$ 1,676,856 | \$ 1,326,382,284  | \$ 4,646,193,450 | \$ 860,904,724 | \$ 3,785,288,726  | \$ 0.4400                   |
| 1,221,611,230              | 2,329,581    | 1,219,281,649     | 4,397,060,920    | 838,848,527    | 3,558,212,393     | 0.4600                      |
| 1,098,180,490              | 77,069,672   | 1,021,110,818     | 4,028,574,190    | 774,948,113    | 3,253,626,077     | 0.4945                      |
| 1,061,094,740              | 116,725,093  | 944,369,647       | 4,257,080,760    | 959,339,732    | 3,297,741,028     | 0.4945                      |
| 1,009,905,870              | 98,298,591   | 911,607,279       | 4,394,535,780    | 888,880,310    | 3,505,655,470     | 0.4945                      |
| 1,096,945,970              | 137,850,233  | 959,095,737       | 4,884,760,920    | 1,065,362,943  | 3,819,397,977     | 0.4945                      |
| 1,213,451,110              | 192,437,313  | 1,021,013,797     | 5,093,113,510    | 1,073,306,019  | 4,019,807,491     | 0.4945                      |
| 1,536,661,570              | 407,846,378  | 1,128,815,192     | 5,370,260,710    | 1,241,985,374  | 4,128,275,336     | 0.5195                      |
| 1,229,699,030              | 289,896,502  | 939,802,528       | 4,938,598,420    | 1,169,101,079  | 3,769,497,341     | 0.5295                      |
| 1,066,425,480              | 182,416,255  | 884,009,225       | 4,639,803,320    | 1,008,013,466  | 3,631,789,854     | 0.5295                      |

CITY OF FARMERS BRANCH, TEXAS

DIRECT AND OVERLAPPING PROPERTY TAX RATES  
(PER \$100 OF ASSESSED VALUE)  
LAST TEN FISCAL YEARS  
(UNAUDITED)

| FISCAL<br>YEAR | CITY DIRECT RATES |                            |                     | OVERLAPPING RATES (1)                    |                  |                  |                              |  |
|----------------|-------------------|----------------------------|---------------------|--|------------------|------------------|------------------------------|--|
|                | GENERAL           |                            |                     | CARROLLTON -<br>FARMERS BRANCH<br>I.S.D. | DALLAS<br>I.S.D. | DALLAS<br>COUNTY | DALLAS<br>COUNTY<br>HOSPITAL | DALLAS<br>COUNTY<br>COMMUNITY<br>COLLEGE |
|                | BASIC<br>RATE     | OBLIGATION<br>DEBT SERVICE | TOTAL<br>DIRECT (2) |  |                  |                  |                              |  |
| 2003           | \$ 0.3511         | \$ 0.0889                  | \$ 0.4400           | \$ 1.7224                                | \$ 1.5875        | \$ 0.2015        | \$ 0.2540                    | \$ 0.0600                                |
| 2004           | 0.3670            | 0.0930                     | 0.4600              | 1.7358                                   | 1.6395           | 0.2094           | 0.2540                       | 0.0778                                   |
| 2005           | 0.3965            | 0.0980                     | 0.4945              | 1.7824                                   | 1.6694           | 0.2094           | 0.2540                       | 0.0803                                   |
| 2006           | 0.3985            | 0.0960                     | 0.4945              | 1.8259                                   | 1.6884           | 0.2192           | 0.2540                       | 0.0816                                   |
| 2007           | 0.4041            | 0.0904                     | 0.4945              | 1.6830                                   | 1.5026           | 0.2189           | 0.2540                       | 0.0810                                   |
| 2008           | 0.4386            | 0.0559                     | 0.4945              | 1.3670                                   | 1.1996           | 0.2328           | 0.2540                       | 0.0804                                   |
| 2009           | 0.4423            | 0.0522                     | 0.4945              | 1.3623                                   | 1.1834           | 0.2330           | 0.2540                       | 0.0894                                   |
| 2010           | 0.4516            | 0.0679                     | 0.5195              | 1.3422                                   | 1.2713           | 0.2333           | 0.2740                       | 0.0949                                   |
| 2011           | 0.4892            | 0.0403                     | 0.5295              | 1.3469                                   | 1.2378           | 0.2531           | 0.2710                       | 0.0992                                   |
| 2012           | 0.4873            | 0.0422                     | 0.5295              | 1.3568                                   | 1.2903           | 0.2531           | 0.2710                       | 0.0997                                   |

Source: Dallas Central Appraisal District

Notes:

(1) Overlapping rates are those of local and county governments that apply to property owners within the City of Farmers Branch. Not all overlapping rates apply to all city property owners; for example, although the county property tax rates apply to all city property owners, the Dallas Independent School District (ISD) rates apply only to the approximately 23.3% of city property owners whose property is located within that district's geographic boundaries.

(2) The City's basic property tax rate may be increased only by a majority vote of the City Council up to the limits of State law, after which the city's residents may petition for a vote. Rates for debt service are set based on each year's requirements.

(3) Does not include Dallas ISD as school districts do not overlap each other.

TABLE 6

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| TOTAL (3) |        |
|-----------|--------|
| \$        | 2.6779 |
|           | 2.7370 |
|           | 2.8206 |
|           | 2.8752 |
|           | 2.7314 |
|           | 2.4287 |
|           | 2.4332 |
|           | 2.4639 |
|           | 2.4997 |
|           | 2.5101 |

CITY OF FARMERS BRANCH, TEXAS

DIRECT AND OVERLAPPING PROPERTY TAX LEVIES  
LAST TEN FISCAL YEARS  
(UNAUDITED)

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| FISCAL<br>YEAR | FARMERS<br>BRANCH | CARROLLTON-<br>FARMERS BRANCH<br>I.S.D. | DALLAS<br>I.S.D. | DALLAS<br>COUNTY |
|----------------|-------------------|---|------------------|------------------|
| 2003           | \$ 16,655,270     | \$ 234,702,492                          | \$ 925,488,279   | \$ 258,759,275   |
| 2004           | 16,367,777        | 224,290,076                             | 947,346,797      | 267,269,899      |
| 2005           | 16,089,181        | 221,371,359                             | 983,293,871      | 271,367,179      |
| 2006           | 16,307,329        | 230,386,930                             | 1,044,465,976    | 296,814,473      |
| 2007           | 17,335,466        | 222,194,231                             | 1,031,420,904    | 320,339,291      |
| 2008           | 18,886,923        | 200,337,274                             | 920,814,173      | 375,408,115      |
| 2009           | 19,877,948        | 207,688,213                             | 972,477,527      | 397,456,902      |
| 2010           | 21,446,390        | 200,119,142                             | 1,012,347,453    | 385,705,977      |
| 2011           | 19,959,488        | 190,357,561                             | 940,562,436      | 400,352,271      |
| 2012           | 19,230,327        | 188,452,360                             | 963,386,876      | 393,607,404      |

Source: The Dallas Central Appraisal District provided information for fiscal years 2003 through 2008. Beginning in 2009, the Carrollton-Farmers Branch I.S.D. began reporting their own values since the district spans multiple counties and appraisal districts began reporting only their portion of an entity's value if the entity overlaps jurisdictions.

TABLE 7

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|    | DALLAS<br>COUNTY<br>HOSPITAL |    | DALLAS<br>COUNTY<br>COMMUNITY<br>COLLEGE |
|----|------------------------------|----|--|
| \$ | 326,177,945                  | \$ | 79,860,112                               |
|    | 324,257,520                  |    | 103,074,389                              |
|    | 329,228,427                  |    | 107,927,170                              |
|    | 343,936,479                  |    | 114,768,496                              |
|    | 371,647,072                  |    | 122,966,354                              |
|    | 409,570,134                  |    | 135,032,794                              |
|    | 433,279,198                  |    | 158,692,823                              |
|    | 453,330,805                  |    | 163,641,621                              |
|    | 428,980,078                  |    | 162,905,820                              |
|    | 421,898,213                  |    | 161,373,615                              |

PRINCIPAL PROPERTY TAXPAYERS  
CURRENT YEAR AND NINE YEARS AGO  
(UNAUDITED)

| TAXPAYER   | 2012                         |      |   | 2003                         |      |   |
|--|------------------------------|------|---|------------------------------|------|---|
|  | TAXABLE<br>ASSESSED<br>VALUE | RANK | PERCENTAGE<br>OF TOTAL CITY<br>TAXABLE<br>ASSESSED<br>VALUE (a) | TAXABLE<br>ASSESSED<br>VALUE | RANK | PERCENTAGE<br>OF TOTAL CITY<br>TAXABLE<br>ASSESSED<br>VALUE (b) |
| 70 Washington Street LP  | \$ 102,228,000               | 1    | 2.81%   |                              |      |   |
| AT&T Communications<br>(formerly Southwestern Bell/Cingular)       | 80,528,180                   | 2    | 2.22%   | \$ 100,345,542               | 3    | 2.65%   |
| Occidental Chemical  | 64,155,510                   | 3    | 1.77%   | 78,042,490                   | 4    | 2.06%   |
| Maxim Integrated Products, Inc.<br>(formerly Dallas Semiconductor) | 56,280,479                   | 4    | 1.55%   | 127,225,450                  | 1    | 3.36%   |
| Garden Centura LP  | 50,950,000                   | 5    | 1.40%   |                              |      |   |
| EOS Properties at Providence Towers                                | 50,528,000                   | 6    | 1.39%   |                              |      |   |
| Fenton Mercer Crossing Holding Co.<br>(formerly Park West)         | 49,167,080                   | 7    | 1.35%   | 101,937,310                  | 2    | 2.69%   |
| Glazers Wholesale  | 40,548,900                   | 8    | 1.12%   |                              |      |   |
| Lakeview at Parkside   | 36,600,000                   | 9    | 1.01%   |                              |      |   |
| Loadstar, Inc.   | 33,500,000                   | 10   | 0.92%   |                              |      |   |
| Tuesday Morning, Inc.  |                              |      |   | 69,926,330                   | 5    | 1.85%   |
| Daltex Centre LP   |                              |      |   | 68,331,950                   | 6    | 1.81%   |
| Metroplex Cellular   |                              |      |   | 41,397,870                   | 7    | 1.09%   |
| Prentiss Properties  |                              |      |   | 39,561,950                   | 8    | 1.05%   |
| American Realty Trust Inc.   |                              |      |   | 39,111,330                   | 9    | 1.03%   |
| PL Properties Associated LP  |                              |      |   | 36,700,560                   | 10   | 0.97%   |
|  | <u>\$ 564,486,149</u>        |      | <u>15.54%</u>   | <u>\$ 702,580,782</u>        |      | <u>18.56%</u>   |

Source: Dallas County, "City Report of Property Value," City of Farmers Branch

Notes:

(a) Total taxable value October 1, 2011 (2012 fiscal year) is \$3,631,789,854.

(b) Total taxable value October 1, 2002 (2003 fiscal year) is \$3,785,288,726.

PROPERTY TAX LEVIES AND COLLECTIONS  
 LAST TEN FISCAL YEARS  
 (UNAUDITED)

| FISCAL<br>YEAR | ACTUAL<br>LEVY<br>YEAR | ORIGINAL<br>LEVY (1) | SUBSEQUENT<br>ADJUSTMENTS | TOTAL<br>LEVY | COLLECTED WITHIN THE<br>FISCAL YEAR OF THE LEVY |                                       | COLLECTIONS/<br>(REFUNDS) IN<br>SUBSEQUENT<br>YEARS | TOTAL COLLECTIONS TO DATE |   |
|----------------|------------------------|----------------------|---------------------------|---------------|---|---------------------------------------|---|---------------------------|---|
|                |                        |                      |                           |               | CURRENT<br>TAX<br>COLLECTIONS                   | PERCENT OF<br>TOTAL LEVY<br>COLLECTED |   | TOTAL TAX<br>COLLECTIONS  | PERCENT OF<br>TOTAL TAX<br>COLLECTIONS<br>TO TOTAL LEVY |
| 2003           | 2002                   | \$ 16,655,270        | \$ (314,760)              | \$ 16,340,510 | \$ 16,194,052                                   | 99.10%                                | \$ 122,854  | \$ 16,316,906             | 99.86%  |
| 2004           | 2003                   | 16,367,777           | (451,306)                 | 15,916,471    | 15,742,089                                      | 98.90%                                | 147,955   | 15,890,044                | 99.83%  |
| 2005           | 2004                   | 16,089,181           | 132,096                   | 16,221,277    | 16,041,941                                      | 98.89%                                | 164,596   | 16,206,537                | 99.91%  |
| 2006           | 2005                   | 16,307,329           | 190,386                   | 16,497,715    | 16,410,700                                      | 99.47%                                | 69,282  | 16,479,982                | 99.89%  |
| 2007           | 2006                   | 17,335,466           | 27,750                    | 17,363,216    | 17,306,192                                      | 99.67%                                | 6,538   | 17,312,730                | 99.71%  |
| 2008           | 2007                   | 18,886,923           | (293,151)                 | 18,593,772    | 18,569,133                                      | 99.87%                                | 1,816   | 18,570,949                | 99.88%  |
| 2009           | 2008                   | 19,877,948           | (409,921)                 | 19,468,027    | 19,273,031                                      | 99.00%                                | 107,474   | 19,380,505                | 99.55%  |
| 2010           | 2009                   | 21,446,390           | (136,881)                 | 21,309,509    | 21,238,074                                      | 99.66%                                | (35,862)  | 21,202,212                | 99.50%  |
| 2011           | 2010                   | 19,959,488           | (256,087)                 | 19,703,401    | 19,488,243                                      | 98.91%                                | 72,182  | 19,560,425                | 99.27%  |
| 2012           | 2011                   | 19,230,327           |                           | 19,230,327    | 18,901,401                                      | 98.29%                                |   | 18,901,401                | 98.29%  |

Source: Dallas County Tax Office

Notes:

(1) The original levy is as of July of the previous fiscal year and does not include any subsequent adjustments.

RATIOS OF OUTSTANDING DEBT BY TYPE  
LAST TEN FISCAL YEARS  
(UNAUDITED)

| FISCAL YEAR                     | GENERAL OBLIGATION BONDS | SPECIAL REVENUE BONDS | DEVELOPER ADVANCES | ASSESSMENT REVENUE BONDS | TOTAL OUTSTANDING DEBT | TAXABLE ASSESSED VALUE | PERCENTAGE OF TAXABLE ASSESSED VALUE | ESTIMATED POPULATION (1) | DEBT PER CAPITA |
|---------------------------------|--------------------------|-----------------------|--------------------|--------------------------|------------------------|------------------------|--------------------------------------|--------------------------|-----------------|
| <u>Governmental Activities:</u> |                          |                       |                    |                          |                        |                        |                                      |                          |                 |
| 2003                            | \$ 13,524,233            | \$ 3,880,000          | \$ 3,162,498       | \$                       | \$ 20,566,731          | \$ 3,785,288,726       | 0.54%                                | 28,000                   | \$ 735          |
| 2004                            | 10,582,657               | 12,475,000            | 3,415,888          |                          | 26,473,545             | 3,558,212,393          | 0.74%                                | 27,400                   | 966             |
| 2005                            | 7,591,081                | 12,190,000            | 7,265,145          |                          | 27,046,226             | 3,253,626,077          | 0.83%                                | 27,595                   | 980             |
| 2006                            | 4,539,505                | 11,865,000            | 8,663,872          |                          | 25,068,377             | 3,297,741,028          | 0.76%                                | 27,850                   | 900             |
| 2007                            | 1,440,000                | 10,430,000            | 11,601,824         |                          | 23,471,824             | 3,505,655,470          | 0.67%                                | 28,500                   | 824             |
| 2008                            | 7,290,000                | 9,920,000             | 11,601,824         |                          | 28,811,824             | 3,819,397,977          | 0.75%                                | 28,750                   | 1,002           |
| 2009                            | 5,380,000                | 9,385,000             | 10,468,887         |                          | 25,233,887             | 4,019,807,491          | 0.63%                                | 31,100                   | 811             |
| 2010                            | 18,530,000               | 8,850,000             | 8,668,887          |                          | 36,048,887             | 4,128,275,336          | 0.87%                                | 28,616                   | 1,260           |
| 2011                            | 16,080,000               | 8,250,000             | 8,118,887          |                          | 32,448,887             | 3,769,497,341          | 0.86%                                | 28,600                   | 1,135           |
| 2012                            | 13,595,160               | 7,693,841             | 7,868,887          |                          | 29,157,888             | 3,631,789,854          | 0.80%                                | 28,620                   | 1,019           |
| <u>Business Activities:</u>     |                          |                       |                    |                          |                        |                        |                                      |                          |                 |
| 2003                            | \$                       | \$                    | \$                 | \$ 4,209,292             | \$ 4,209,292           | \$ 3,785,288,726       | 0.11%                                | 28,000                   | \$ 150          |
| 2004                            |                          |                       |                    | 3,734,392                | 3,734,392              | 3,558,212,393          | 0.10%                                | 27,400                   | 136             |
| 2005                            |                          |                       |                    | 3,245,000                | 3,245,000              | 3,253,626,077          | 0.10%                                | 27,595                   | 118             |
| 2006                            |                          |                       |                    | 2,745,000                | 2,745,000              | 3,297,741,028          | 0.08%                                | 27,850                   | 99              |
| 2007                            |                          |                       |                    |                          |                        | 3,505,655,470          |                                      | 28,500                   |                 |
| 2008                            |                          |                       |                    |                          |                        | 3,819,397,977          |                                      | 28,750                   |                 |
| 2009                            |                          |                       |                    |                          |                        | 4,019,807,491          |                                      | 31,100                   |                 |
| 2010                            |                          |                       |                    |                          |                        | 4,128,275,336          |                                      | 28,616                   |                 |
| 2011                            |                          |                       |                    |                          |                        | 3,769,497,341          |                                      | 28,600                   |                 |
| 2012                            |                          |                       |                    |                          |                        | 3,631,789,854          |                                      | 28,620                   |                 |
| <u>Total Government-Wide:</u>   |                          |                       |                    |                          |                        |                        |                                      |                          |                 |
| 2003                            | \$ 13,524,233            | \$ 3,880,000          | \$ 3,162,498       | \$ 4,209,292             | \$ 24,776,023          | \$ 3,785,288,726       | 0.65%                                | 28,000                   | \$ 885          |
| 2004                            | 10,582,657               | 12,475,000            | 3,415,888          | 3,734,392                | 30,207,937             | 3,558,212,393          | 0.85%                                | 27,400                   | 1,102           |
| 2005                            | 7,591,081                | 12,190,000            | 7,265,145          | 3,245,000                | 30,291,226             | 3,253,626,077          | 0.93%                                | 27,595                   | 1,098           |
| 2006                            | 4,539,505                | 11,865,000            | 8,663,872          | 2,745,000                | 27,813,377             | 3,297,741,028          | 0.84%                                | 27,850                   | 999             |
| 2007                            | 1,440,000                | 10,430,000            | 11,601,824         |                          | 23,471,824             | 3,505,655,470          | 0.67%                                | 28,500                   | 824             |
| 2008                            | 7,290,000                | 9,920,000             | 11,601,824         |                          | 28,811,824             | 3,819,397,977          | 0.75%                                | 28,750                   | 1,002           |
| 2009                            | 5,380,000                | 9,385,000             | 10,468,887         |                          | 25,233,887             | 4,019,807,491          | 0.63%                                | 31,100                   | 811             |
| 2010                            | 18,530,000               | 8,850,000             | 8,668,887          |                          | 36,048,887             | 4,128,275,336          | 0.87%                                | 28,616                   | 1,260           |
| 2011                            | 16,080,000               | 8,250,000             | 8,118,887          |                          | 32,448,887             | 3,769,497,341          | 0.86%                                | 28,600                   | 1,135           |
| 2012                            | 13,595,160               | 7,693,841             | 7,868,887          |                          | 29,157,888             | 3,631,789,854          | 0.80%                                | 28,620                   | 1,019           |

## Notes:

Details regarding the City's outstanding debt can be found in the notes to the financial statements.

(1) Population based on North Central Texas Council of Governments (NCTCOG) original population estimates with the exception of 2010, which is based on the 2010 U.S. Census.



RATIOS OF GENERAL BONDED DEBT OUTSTANDING  
LAST TEN FISCAL YEARS  
(UNAUDITED)

| FISCAL<br>YEAR | GENERAL<br>OBLIGATION<br>BONDS | SPECIAL<br>REVENUE<br>BONDS | LESS: AMOUNTS<br>AVAILABLE IN DEBT<br>SERVICE FUND | TOTAL         | TAXABLE<br>ASSESSED<br>VALUE | PERCENTAGE<br>OF ACTUAL<br>TAXABLE VALUE<br>OF PROPERTY | ESTIMATED<br>POPULATION (1) | PER<br>CAPITA |
|----------------|--------------------------------|-----------------------------|--|---------------|------------------------------|---|-----------------------------|---------------|
| 2003           | \$ 13,524,233                  | \$ 3,880,000                | \$ 1,075   | \$ 17,403,158 | \$ 3,785,288,726             | 0.46%   | 28,000                      | \$ 622        |
| 2004           | 10,582,657                     | 12,475,000                  | 56,514   | 23,001,143    | 3,558,212,393                | 0.65%   | 27,400                      | 839           |
| 2005           | 7,591,081                      | 12,190,000                  | 93,878   | 19,687,203    | 3,253,626,077                | 0.61%   | 27,595                      | 713           |
| 2006           | 4,539,505                      | 11,865,000                  | 152,873  | 16,251,632    | 3,297,741,028                | 0.49%   | 27,850                      | 584           |
| 2007           | 1,440,000                      | 10,430,000                  | 229,766  | 11,640,234    | 3,505,655,470                | 0.33%   | 28,500                      | 408           |
| 2008           | 7,290,000                      | 9,920,000                   | 217,438  | 16,992,562    | 3,819,397,977                | 0.44%   | 28,750                      | 591           |
| 2009           | 5,380,000                      | 9,385,000                   | 223,766  | 14,541,234    | 4,019,807,491                | 0.36%   | 31,100                      | 468           |
| 2010           | 18,530,000                     | 8,850,000                   | 571,245  | 26,808,755    | 4,128,275,336                | 0.65%   | 28,616                      | 937           |
| 2011           | 16,080,000                     | 8,250,000                   | 1,906,300  | 22,423,700    | 3,769,497,341                | 0.59%   | 28,600                      | 784           |
| 2012           | 13,595,160                     | 7,693,841                   | 221,898  | 21,067,103    | 3,631,789,854                | 0.58%   | 28,620                      | 736           |

## Notes:

Details regarding the City's outstanding debt can be found in the notes to the financial statements.

(1) Population based on North Central Texas Council of Governments (NCTCOG) original population estimates with the exception of 2010, which is based on the 2010 U.S. Census.

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT  
 SEPTEMBER 30, 2012  
 (UNAUDITED)

| GOVERNMENTAL UNIT   | DEBT<br>OUTSTANDING | ESTIMATED<br>PERCENTAGE<br>OVERLAPPING (1) | ESTIMATED<br>SHARE OF<br>OVERLAPPING DEBT |
|---|---------------------|--|---|
| Debt repaid with property taxes   |                     |  |   |
| Carrollton - Farmers Branch<br>Independent School District  | \$ 317,180,000      | 17.94%                                     | \$ 56,902,092                             |
| Valwood Improvement Authority   | 8,951,211           | 44.84%                                     | 4,013,723                                 |
| Dallas County   | 121,605,000         | 2.35%                                      | 2,857,717                                 |
| Dallas County Hospital District   | 705,000,000         | 2.35%                                      | 16,567,500                                |
| Dallas County Community College<br>District   | 374,265,000         | 2.35%                                      | 8,795,228                                 |
| Dallas County Schools   | 45,300,000          | 2.35%                                      | 1,064,550                                 |
| Dallas Independent School District  | 2,554,985,000       | 1.90%                                      | 48,544,715                                |
| Subtotal, overlapping debt  | 4,127,286,211       |  | 138,745,525                               |
| City direct debt (2)  | 21,289,001          | 100.00%                                    | 21,289,001                                |
| Total direct and overlapping bonded debt  | \$ 4,148,575,212    |  | \$ 160,034,526                            |
| Ratio of overlapping bonded debt<br>to taxable assessed valuation<br>(valued at 100% of market value) |                     |  |   |
|   |                     | 4.41%                                      |   |
| Per capita overlapping bonded debt  |                     |  |   |
|   |                     | \$ 5,592                                   | (3)                                       |

Source: Municipal Advisory Council of Texas

Notes:

(1) The "Estimated Percentage Overlapping" is determined by dividing the City's certified taxable value by the County and related other County entities certified taxable values. The share of market value for Carrollton/Farmers Branch ISD, Dallas ISD and Valwood Improvement Authority is calculated by the Dallas Central Appraisal District (DCAD) once every two years as these boundaries overlap within the City.

(2) The City direct debt includes General Obligation Refunding and Improvement Bonds, Series 2010, which includes the refunding amount of \$1,690,000, which are being paid from hotel occupancy tax revenues and General Obligation Refunding Bonds, Taxable Series 2011, in the amount of \$7,035,000, which are being paid from amounts received under the Ground Lease Agreement (the "Lease") entered into by the City and the Dallas Stars, L.P.

(3) Based on North Central Texas Council of Governments (NCTCOG) population estimate.

DEMOGRAPHIC STATISTICS  
 LAST TEN FISCAL YEARS  
 (UNAUDITED)

| FISCAL<br>YEAR | ESTIMATED<br>POPULATION (1) | MEDIAN<br>AGE (2) | PER CAPITA<br>INCOME (2) | PERSONAL<br>INCOME (3) | UNEMPLOYMENT<br>RATE % (4) |
|----------------|-----------------------------|-------------------|--------------------------|------------------------|----------------------------|
| 2003           | 28,000                      | *                 | \$ 24,921                | \$ 697,788,000         | 4.6%                       |
| 2004           | 27,400                      | *                 | 24,921                   | 682,835,400            | 4.0%                       |
| 2005           | 27,595                      | *                 | 24,921                   | 687,694,995            | 4.7%                       |
| 2006           | 27,850                      | *                 | 24,921                   | 694,049,850            | 4.1%                       |
| 2007           | 28,500                      | *                 | 24,921                   | 710,248,500            | 3.8%                       |
| 2008           | 28,750                      | 37.1              | 25,461                   | 732,003,750            | 5.2%                       |
| 2009           | 31,100                      | 38.2              | 27,153                   | 844,458,300            | 8.4%                       |
| 2010           | 28,616                      | 36.4              | 29,073                   | 831,952,968            | 8.0%                       |
| 2011           | 28,600                      | 36.2              | 28,715                   | 821,249,000            | 7.7%                       |
| 2012           | 28,620                      | 37.6              | 29,623                   | 847,810,260            | 6.0%                       |

Sources/Notes:

(1) Population based on North Central Texas Council of Governments (NCTCOG) original population estimates with the exception of 2010, which is based on the 2010 U.S. Census.

(2) Median Age and Personal Income data provided by U.S. Census Bureau's American Community Survey - 3 Year Estimates, with the exception of 2010, which is based on the 2010 U.S. Census. The \* indicates that the information was not available.

(3) Personal Income is derived by multiplying per capita income by the estimated population.

(4) Unemployment Rate % provided by Bureau of Labor Statistics.

The following information is provided by the U.S. Census Bureau based on 2010 census information.

|             |        |         |        |
|-------------|--------|---------|--------|
| Households: | 10,797 | Male:   | 14,075 |
| Families:   | 6,923  | Female: | 14,541 |

Racial Breakdown

|                           |        |
|---------------------------|--------|
| White                     | 21,017 |
| Black                     | 1,365  |
| American Indian           | 206    |
| Asian or Pacific Islander | 1,261  |
| Other                     | 4,767  |

Source: U.S. Census Bureau

PRINCIPAL EMPLOYERS  
CURRENT YEAR AND NINE YEARS AGO  
(UNAUDITED)

| EMPLOYER                                      | 2012          |      |   | 2003          |      |   |
|---|---------------|------|---|---------------|------|---|
|   | EMPLOYEES     | RANK | PERCENTAGE<br>OF TOTAL CITY<br>EMPLOYMENT | EMPLOYEES     | RANK | PERCENTAGE<br>OF TOTAL CITY<br>EMPLOYMENT |
| IBM Corporation                               | 3,370         |      | 2.83%                                     | 3,190         | 1    | 4.25%                                     |
| JPMorgan Chase Investment Services            | 2,390         |      | 2.01%                                     |               |      |   |
| Federal Government - Internal Revenue Service | 1,200         |      | 1.01%                                     | 1,200         | 3    | 1.60%                                     |
| GEICO   | 1,200         |      | 1.01%                                     | 1,200         | 4    | 1.60%                                     |
| TD Industries                                 | 1,000         |      | 0.84%                                     | 973           | 5    | 1.30%                                     |
| Telvista                                      | 1,000         |      | 0.84%                                     |               |      |   |
| Haggar Clothing Company                       | 750           |      | 0.63%                                     |               |      |   |
| Monitronics International Inc.                | 700           |      | 0.59%                                     |               |      |   |
| Celanese Corporation                          | 650           |      | 0.55%                                     |               |      |   |
| Encore Enterprises, Inc.                      | 650           |      | 0.55%                                     |               |      |   |
| Glazer's Wholesale Drug Company               | 650           |      | 0.55%                                     |               |      |   |
| Dallas Semiconductor                          |               |      |   | 1,300         | 2    | 1.73%                                     |
| Cingular Wireless                             |               |      |   | 870           | 6    | 1.16%                                     |
| Sprint, Inc.                                  |               |      |   | 800           | 7    | 1.07%                                     |
| Occidental Chemical                           |               |      |   | 650           | 8    | 0.87%                                     |
| Tenet Healthcare                              |               |      |   | 650           | 9    | 0.87%                                     |
| RHD Memorial Medical Center                   |               |      |   | 560           | 10   | 0.75%                                     |
|   | <u>13,560</u> |      | <u>11.41%</u>                             | <u>11,393</u> |      | <u>15.20%</u>                             |

Sources:

North Central Texas Council of Governments (NCTCOG) provides total employment estimates. For 2012, estimated total employment is 119,066. For 2003, estimated total employment was 75,013. (See NCTCOG 2030 demographic forecast for further information.)

FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM  
 LAST TEN FISCAL YEARS  
 (UNAUDITED)

|                         | Full-Time Equivalent Employees<br>as of September 30 |             |             |             |             |             |             |             |             |             |
|-------------------------|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
|                         | <u>2003</u>  | <u>2004</u> | <u>2005</u> | <u>2006</u> | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> |
| <u>Function/Program</u> |  |             |             |             |             |             |             |             |             |             |
| General government      | 68.08  | 66.02       | 66.52       | 74.63       | 77.09       | 77.26       | 66.16       | 65.74       | 62.85       | 62.85       |
| General administration  | 8.50   | 8.50        | 8.50        | 7.50        | 6.50        | 7.00        | 6.35        | 7.00        | 6.00        | 6.00        |
| Convention              | 0.00   | 0.00        | 0.00        | 0.00        | 0.00        | 0.00        | 0.00        | 0.00        | 0.00        | 0.00        |
| Communications          | 5.10   | 4.16        | 4.16        | 4.22        | 4.22        | 5.22        | 4.22        | 4.22        | 2.00        | 2.00        |
| Economic development    | 2.00   | 2.00        | 2.00        | 2.00        | 3.00        | 2.00        | 1.00        | 1.00        | 1.00        | 2.50        |
| Human resources         | 7.00   | 7.00        | 7.00        | 7.00        | 7.39        | 7.64        | 6.67        | 6.00        | 6.00        | 5.00        |
| Finance                 | 18.50  | 18.50       | 20.00       | 29.00       | 29.00       | 28.48       | 25.00       | 25.00       | 24.00       | 24.00       |
| Community services      | 26.63  | 25.63       | 24.63       | 24.70       | 26.75       | 26.75       | 22.75       | 22.35       | 23.70       | 23.20       |
| Other                   | 0.35   | 0.23        | 0.23        | 0.21        | 0.23        | 0.17        | 0.17        | 0.17        | 0.15        | 0.15        |
| Public safety           | 185.26   | 187.46      | 186.74      | 177.02      | 185.20      | 195.50      | 195.91      | 196.04      | 194.76      | 195.63      |
| Police                  | 117.81   | 119.81      | 119.31      | 109.81      | 109.96      | 113.04      | 113.04      | 113.04      | 113.00      | 115.04      |
| Fire                    | 64.00  | 64.00       | 64.22       | 64.28       | 72.00       | 80.09       | 80.50       | 80.63       | 79.67       | 78.50       |
| Other                   | 3.45   | 3.65        | 3.21        | 2.93        | 3.24        | 2.37        | 2.37        | 2.37        | 2.09        | 2.09        |
| Public works            | 69.03  | 62.03       | 61.03       | 57.94       | 56.34       | 55.24       | 45.97       | 44.97       | 31.62       | 29.62       |
| Engineering             | 22.00  | 19.00       | 18.00       | 18.00       | 18.00       | 18.00       | 13.00       | 13.00       | 9.00        | 0.00        |
| Public works            | 43.00  | 39.00       | 39.00       | 36.27       | 34.27       | 34.27       | 30.00       | 29.00       | 20.00       | 27.00       |
| Other                   | 4.03   | 4.03        | 4.03        | 3.67        | 4.07        | 2.97        | 2.97        | 2.97        | 2.62        | 2.62        |
| Culture and recreation  | 127.22   | 124.68      | 129.56      | 131.34      | 133.34      | 131.73      | 121.52      | 109.60      | 87.21       | 84.64       |
| Parks                   | 99.67  | 98.12       | 102.93      | 102.93      | 102.93      | 101.41      | 97.31       | 85.39       | 84.47       | 82.47       |
| Library                 | 23.18  | 22.93       | 23.00       | 25.00       | 26.75       | 26.75       | 21.25       | 21.25       | 0.00        | 0.00        |
| Tourism                 | 2.07   | 1.07        | 1.07        | 1.07        | 1.07        | 1.68        | 1.07        | 1.07        | 1.07        | 0.50        |
| Other                   | 2.30   | 2.56        | 2.56        | 2.34        | 2.59        | 1.89        | 1.89        | 1.89        | 1.67        | 1.67        |
| Water and sewer         | 31.00  | 30.00       | 30.00       | 27.00       | 27.00       | 27.00       | 25.00       | 26.00       | 20.75       | 21.66       |
| Water and sewer         | 31.00  | 30.00       | 30.00       | 27.00       | 27.00       | 27.00       | 25.00       | 26.00       | 20.75       | 21.66       |
| Equipment services      | 1.36   | 1.46        | 1.46        | 1.34        | 1.46        | 1.06        | 1.07        | 1.07        | 0.94        | 0.94        |
| Equipment services      | 1.36   | 1.46        | 1.46        | 1.34        | 1.46        | 1.06        | 1.07        | 1.07        | 0.94        | 0.94        |
| Total                   | 481.95   | 471.65      | 475.31      | 469.27      | 480.43      | 487.79      | 455.63      | 443.42      | 398.13      | 395.34      |

Source: City of Farmers Branch Finance Department

Notes: Information is reported from mid-year amended budgets.

CITY OF FARMERS BRANCH, TEXAS

OPERATING INDICATORS BY FUNCTION/PROGRAM  
LAST TEN FISCAL YEARS  
(UNAUDITED)

|  |     | Fiscal Year |             |             |             |             |
|--|-----|-------------|-------------|-------------|-------------|-------------|
|  |     | <u>2003</u> | <u>2004</u> | <u>2005</u> | <u>2006</u> | <u>2007</u> |
| Public safety  |     |             |             |             |             |             |
| Police   |     |             |             |             |             |             |
| Number of employees                                    | (1) | 114         | 116.5       | 117         | 107         | 107         |
| Number of sworn officers                               |     | 74          | 74          | 74          | 74          | 74          |
| Number of violations (citations)                       |     | 40,466      | 29,308      | 23,207      | 19,091      | 20,424      |
| Fire   |     |             |             |             |             |             |
| Number of employees                                    |     | 64          | 64          | 64          | 64          | 72          |
| Number of EMS runs                                     |     | 1,999       | 1,912       | 2,083       | 1,994       | 2,114       |
| Number of fire runs                                    |     | 3,508       | 3,302       | 3,113       | 3,071       | 1,445       |
| Public works   |     |             |             |             |             |             |
| Street reconstruction (lane-miles)                     |     | 0.8         | 1.0         | 1.2         | 1.0         | 5.0         |
| Street resurfacing (lane-miles)                        |     | 15.0        | 11.0        | 11.0        | 11.0        | 11.0        |
| Culture and recreation                                 |     |             |             |             |             |             |
| Parks  |     |             |             |             |             |             |
| Recreation memberships sold (basic)                    | (2) |             |             | 1,409       | 2,364       | 1,338       |
| Recreation memberships sold (fitness)                  | (2) |             |             | 894         | 1,771       | 709         |
| Total pool admissions                                  |     | 25,499      | 19,537      | 16,757      | 16,835      | 14,355      |
| Visits to Historical Park                              |     | 47,947      | 51,106      | 49,706      | 48,293      | 45,216      |
| Library  |     |             |             |             |             |             |
| Volumes borrowed                                       |     | 400,687     | 428,820     | 428,096     | 451,295     | 431,167     |
| Volumes in library collection                          |     | 97,499      | 101,156     | 104,018     | 111,617     | 119,347     |
| Water and sewer  |     |             |             |             |             |             |
| Average daily water consumption (thousands of gallons) |     | 8,833       | 7,856       | 8,083       | 9,655       | 7,525       |
| Number of water consumers                              |     | 9,467       | 9,442       | 9,444       | 9,490       | 9,472       |
| Total water purchased (thousands of gallons)           |     | 3,224,111   | 2,867,538   | 2,950,227   | 3,523,898   | 2,746,547   |

Sources: Various City departments.

Notes: N/A - data unavailable at time of publication.

(1) The Municipal Court Division was moved to the Finance Department in fiscal year 2006.

(2) The Recreation Center was out of service from December 2002 until January 2004 while a new facility was being constructed. Prior to January 2004, the City did not sell memberships to the Recreation Center.

TABLE 16

| Fiscal Year |             |             |             |             |
|-------------|-------------|-------------|-------------|-------------|
| <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> |
| 110         | 110         | 110         | 110         | 112         |
| 74          | 74          | 75          | 75          | 74          |
| 21,284      | 18,723      | 20,208      | 16,068      | 16,537      |
| 80          | 81          | 80          | 79          | 78          |
| 2,257       | 2,206       | 2,058       | 2,168       | 2,234       |
| 1,193       | 1,127       | 1,178       | 1,482       | 1,468       |
| 3.5         | 0.7         | 0.0         | 0.7         | 0.5         |
| 11.0        | 33.7        | 0.0         | 0.0         | 0.0         |
| 1,359       | 1,320       | 1,378       | 1,571       | 1,376       |
| 814         | 819         | 862         | 944         | 966         |
| 13,214      | 12,620      | 9,037       | 10,792      | 9,457       |
| 50,231      | 48,348      | 65,013      | 78,002      | 61,288      |
| 416,902     | 461,525     | 435,085     | 247,676     | 360,582     |
| 120,970     | 148,878     | 159,754     | 138,959     | 135,345     |
| 8,569       | 8,106       | 7,888       | 8,754       | 8,354       |
| 9,441       | 9,428       | 9,471       | 9,472       | 9,492       |
| 3,127,749   | 2,958,699   | 2,879,109   | 3,195,188   | 3,049,124   |

CITY OF FARMERS BRANCH, TEXAS

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM  
 LAST TEN FISCAL YEARS  
 (UNAUDITED)

|   | Fiscal Year |             |             |             |             |
|---|-------------|-------------|-------------|-------------|-------------|
|   | <u>2003</u> | <u>2004</u> | <u>2005</u> | <u>2006</u> | <u>2007</u> |
| General government                      |             |             |             |             |             |
| Number of general government buildings  | 1           | 1           | 1           | 1           | 1           |
| Public safety                           |             |             |             |             |             |
| Number of police stations               | 1           | 1           | 1           | 1           | 1           |
| Number of patrol units                  | 14          | 14          | 14          | 15          | 15          |
| Number of fire stations                 | 2           | 2           | 2           | 2           | 2           |
| Public works                            |             |             |             |             |             |
| Streets (lane miles)                    | 378         | 398         | 398         | 398         | 405         |
| Number of traffic signals               | 49          | 49          | 49          | 52          | 54          |
| Landfill capacity (million cubic yards) | 24.5        | 24.5        | 24.5        | 24.5        | 24.5        |
| Culture and recreation                  |             |             |             |             |             |
| Acreage                                 | 400         | 400         | 400         | 400         | 387         |
| Number of parks                         | 28          | 28          | 28          | 28          | 26          |
| Number of playgrounds                   | 12          | 12          | 12          | 12          | 13          |
| Number of swimming pools                | 1           | 1           | 1           | 1           | 1           |
| Recreation center                       | 1           | 1           | 1           | 1           | 1           |
| Senior center                           | 1           | 1           | 1           | 1           | 1           |
| Library                                 | 1           | 1           | 1           | 1           | 1           |
| Historical park                         | 1           | 1           | 1           | 1           | 1           |
| Utilities                               |             |             |             |             |             |
| Water mains (miles)                     | 170.8       | 171.0       | 171.0       | 171.0       | 173.4       |
| Number of fire hydrants                 | 1,859       | 1,861       | 1,864       | 1,864       | 1,899       |
| Storage capacity (millions of gallons)  | 19.5        | 21.5        | 21.5        | 21.5        | 21.5        |
| Sanitary sewers (miles)                 | 139.2       | 139.2       | 139.2       | 139.2       | 140.8       |
| Storm sewers (miles)                    | 101         | 101         | 101         | 101         | 103         |

Sources: Various City departments.



TABLE 17

| Fiscal Year |             |             |             |             |
|-------------|-------------|-------------|-------------|-------------|
| <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> |
| 1           | 1           | 1           | 1           | 1           |
| 1           | 1           | 1           | 1           | 1           |
| 14          | 14          | 16          | 16          | 16          |
| 3           | 3           | 3           | 3           | 3           |
| 411         | 411         | 411         | 411         | 411         |
| 54          | 54          | 59          | 58          | 58          |
| 24.5        | 24.5        | 24.5        | 24.5        | 24.5        |
| 387         | 392         | 392         | 392         | 392         |
| 26          | 31          | 31          | 31          | 31          |
| 13          | 13          | 13          | 13          | 13          |
| 1           | 1           | 1           | 1           | 1           |
| 1           | 1           | 1           | 1           | 1           |
| 1           | 1           | 1           | 1           | 1           |
| 1           | 1           | 1           | 1           | 1           |
| 1           | 1           | 1           | 1           | 1           |
| 173.4       | 173.4       | 210.0       | 210.0       | 203.0       |
| 2,002       | 2,002       | 2,026       | 2,018       | 2,085       |
| 21.5        | 21.5        | 21.5        | 21.5        | 21.5        |
| 140.8       | 140.8       | 158.0       | 158.0       | 162.0       |
| 103         | 103         | 104         | 104         | 104         |

SCHEDULE OF INSURANCE POLICIES IN FORCE  
 SEPTEMBER 30, 2012  
 (UNAUDITED)

| POLICY ISSUED BY                                    | AM BEST<br>RATING | POLICY<br>NUMBER | POLICY<br>PERIOD       | COVERAGE                              | DEDUCTIBLES | LIABILITY<br>LIMITS |
|---|-------------------|------------------|------------------------|---------------------------------------|-------------|---------------------|
| Texas Municipal League<br>Intergovernment Risk Pool | A++               | 04687            | 10/1/2011<br>9/30/2012 | General Liability                     | \$ 50,000   | \$ 2,000,000        |
|   |                   |                  |                        | Property                              | 5,000       | 83,743,569          |
|   |                   |                  |                        | Auto Liability                        | 25,000      | 1,000,000           |
|   |                   |                  |                        | Auto Physical Damage                  | 2,500       | Actual Cash Value   |
|   |                   |                  |                        | Law Enforcement Liability             | 25,000      | 1,000,000           |
|   |                   |                  |                        | Errors & Omissions                    | 50,000      | 1,000,000           |
|   |                   |                  |                        | Mobile Equipment                      | 5,000       | 1,498,573           |
|   |                   |                  |                        | Boiler & Machinery                    | 5,000       | 8,000,000           |
|   |                   |                  |                        | Employee Fidelity Bond                | 2,500       | 250,000             |
|   |                   |                  |                        | Workers' Compensation                 | N/A         | 350,000 *(SIR)      |
|   |                   |                  |                        | Animal Mortality (K-9)                | 0.00        | As scheduled.       |
| The Hartford Casualty<br>Insurance Company          | A+                | 61BSBDB6431      | 10/1/2011<br>9/30/2012 | Fidelity Bond for Finance<br>Director | 2,500       | 250,000             |
| Great American Alliance<br>Insurance Company        | A++               | 9951170          | 10/1/2011<br>9/30/2012 | Underground Storage Tank              | 4,000       | 1,000,000           |
| Sunlife Insurance Company                           | A+                | 216113-001       | 1/1/2012<br>12/31/2012 | Stop Loss Coverage                    | 100,000     | 1,000,000           |

Source: City of Farmers Branch Risk Manager

Notes: Claims Administrators - Workers' Compensation, TML Claims, 18601 LBJ Freeway, Suite 210, Town East Tower, Mesquite, Texas 75150.

\*(SIR) "Self Insured Retention"

## CONTINUING FINANCIAL DISCLOSURE SECTION

(Unaudited)

The Continuing Financial Disclosure Section presents various financial data originally distributed in a debt official statement. The City is required to update financial tables originally distributed in a debt official statement within six months after the end of the fiscal year ending on or after September 30, 1999. The financial tables that follow are updated through September 30, 2012, from the last debt issues that were sold September of 2011. This financial information is also sent to each nationally recognized municipal securities information repository ("NRMSIR") and to any state information depository ("SID") that is designated by the State of Texas and approved by the Securities and Exchange Commission ("SEC").

VALUATIONS, EXEMPTIONS, AND GENERAL OBLIGATION DEBT  
(UNAUDITED)

|  |                |                                |
|--|----------------|--------------------------------|
| 2012/2013 Market Valuation Established by DCAD                           |                | \$ 4,689,944,170               |
| Less Exemptions/Reductions at 100% Market Value:                         |                |                                |
| Totally Exempt Parcels   | \$ 451,333,148 |                                |
| Homestead  | 183,798,716    |                                |
| Freeport   | 166,953,134    |                                |
| Over 65  | 145,017,781    |                                |
| Agricultural   | 44,621,315     |                                |
| Disabled Persons   | 7,000,732      |                                |
| Pollution Control  | 1,007,191      |                                |
| Disabled Veterans  | 856,452        |                                |
| Veteran 100%   | 663,216        |                                |
| Capped Value Loss  | 429,334        |                                |
| Under 500  | 30,530         |                                |
| Total Exemptions   |                | <u>1,001,711,549</u>           |
| 2012/2013 Net Taxable Assessed Valuation                                 |                | <u><u>\$ 3,688,232,621</u></u> |
| City Funded Debt Payable From Ad Valorem Taxes                           |                |                                |
| Outstanding General Obligation Debt                                      | \$ 13,595,160  |                                |
| Series 2011 General Obligation Refunding Bonds                           | 6,792,703      |                                |
| Series 2010 General Obligation Refunding and Improvement Bonds           | 901,138        |                                |
| City Funded Debt Payable from Ad Valorem Taxes                           |                | \$ 21,289,001                  |
| Less: Self Supporting Debt   |                |                                |
| Series 2011 General Obligation Refunding Bonds (1)                       |                | 6,792,703                      |
| Series 2010 General Obligation Refunding and Improvement Bonds (2)       |                | 901,138                        |
| Net General Obligation Debt Payable from Ad Valorem Taxes                |                | <u><u>\$ 13,595,160</u></u>    |
| General Obligation Interest and Sinking Fund                             |                | 221,898                        |
| Ratio of Gross General Obligation Tax Debt to Taxable Assessed Valuation |                | 0.577%                         |
| Ratio of Net General Obligation Tax Debt to Taxable Assessed Valuation   |                | 0.369%                         |
| 2012 Estimated Population - 28,620                                       |                |                                |
| Per Capita Taxable Assessed Valuation - \$128,869                        |                |                                |
| Per Capita Funded Debt Payable from Ad Valorem Taxes - \$475             |                |                                |

## Notes:

(1) This debt consists of General Obligation Refunding Bonds, Taxable Series 2011, which are self-supporting based upon amounts received under a Ground Lease Agreement (the "Lease") entered into by the City and the Dallas Stars, L.P., with respect to the Dallas Stars Ice Skating facility located in the City. Payments under the Lease are not pledged to the payment of the bonds. If the City determines not to use payments under the Lease, or if such amounts are insufficient to pay debt service on the bonds, the City will be required to assess an ad valorem tax to pay such obligations.

(2) This debt consists of the self-supporting portion of the City's General Obligation Refunding and Improvement Bonds Series 2010 (refunding portion), which are being paid from hotel occupancy tax revenues. The City could discontinue its policy of paying such debt from hotel tax receipts, and, in lieu thereof, levy an ad valorem tax or use other lawfully available funds to pay such obligations.

TAXABLE ASSESSED VALUATIONS BY CATEGORY  
(UNAUDITED)

|  | 2013                    |            | 2012                    |            | 2011                    |            |
|--|-------------------------|------------|-------------------------|------------|-------------------------|------------|
|  | Amount                  | % of Total | Amount                  | % of Total | Amount                  | % of Total |
| Real, Residential, Single Family           | \$ 1,156,011,600        | 24.65%     | \$ 1,165,430,330        | 25.12%     | \$ 1,199,294,510        | 24.27%     |
| Real, Residential, Multi-Family            | 227,354,150             | 4.85%      | 201,978,900             | 4.35%      | 199,875,950             | 4.05%      |
| Real, Vacant Lots/Tracts                   | 111,118,590             | 2.37%      | 131,733,930             | 2.84%      | 139,837,770             | 2.83%      |
| Real, Commercial                           | 2,061,811,550           | 43.96%     | 2,044,454,780           | 44.06%     | 2,139,397,690           | 43.32%     |
| Real, Industrial                           | 23,661,060              | 0.50%      | 21,881,740              | 0.47%      | 23,173,350              | 0.47%      |
| Real, Oil, Gas, and Other Mineral Reserves | 1,400                   | 0.00%      | 1,400                   | 0.00%      | 1,400                   | 0.00%      |
| Real and Tangible Personal, Utilities      | 115,624,890             | 2.47%      | 123,186,540             | 2.65%      | 120,315,090             | 2.44%      |
| Tangible Personal, Commercial              | 806,426,340             | 17.19%     | 783,212,230             | 16.88%     | 946,479,540             | 19.16%     |
| Tangible Personal, Industrial              | 187,934,590             | 4.01%      | 167,923,470             | 3.63%      | 170,223,120             | 3.46%      |
| Total Appraised Value Before Exemptions    | 4,689,944,170           | 100.00%    | 4,639,803,320           | 100.00%    | 4,938,598,420           | 100.00%    |
| Less: Total Exemptions/Reductions          | 1,001,711,549           |            | 1,008,013,466           |            | 1,169,101,079           |            |
| Taxable Assessed Value                     | <u>\$ 3,688,232,621</u> |            | <u>\$ 3,631,789,854</u> |            | <u>\$ 3,769,497,341</u> |            |

|  | 2010                    |            | 2009                    |            |
|--|-------------------------|------------|-------------------------|------------|
|  | Amount                  | % of Total | Amount                  | % of Total |
| Real, Residential, Single Family           | \$ 1,229,960,150        | 22.90%     | \$ 1,224,870,990        | 24.05%     |
| Real, Residential, Multi-Family            | 181,554,340             | 3.38%      | 136,575,980             | 2.68%      |
| Real, Vacant Lots/Tracts                   | 155,598,070             | 2.90%      | 118,995,820             | 2.34%      |
| Real, Commercial                           | 2,232,389,700           | 41.57%     | 2,364,694,420           | 46.43%     |
| Real, Industrial                           | 27,083,770              | 0.50%      | 27,850,780              | 0.55%      |
| Real, Oil, Gas, and Other Mineral Reserves | 1,400                   | 0.00%      | 1,400                   | 0.00%      |
| Real and Tangible Personal, Utilities      | 118,802,590             | 2.21%      | 115,664,370             | 2.27%      |
| Tangible Personal, Commercial              | 1,183,541,580           | 22.04%     | 841,035,460             | 16.51%     |
| Tangible Personal, Industrial              | 241,329,110             | 4.50%      | 263,424,290             | 5.17%      |
| Total Appraised Value Before Exemptions    | 5,370,260,710           | 100.00%    | 5,093,113,510           | 100.00%    |
| Less: Total Exemptions/Reductions          | 1,241,985,374           |            | 1,073,306,019           |            |
| Taxable Assessed Value                     | <u>\$ 4,128,275,336</u> |            | <u>\$ 4,019,807,491</u> |            |

## Notes:

Valuations shown are certified taxable assessed values reported by the Dallas Central Appraisal District (DCAD) to the State Comptroller of Public Accounts. Certified values are subject to change throughout the year as contested values are resolved and the DCAD updates records.

VALUATION AND GENERAL OBLIGATION DEBT HISTORY  
(UNAUDITED)

| FISCAL<br>YEAR | ESTIMATED<br>POPULATION (1) | TAXABLE<br>ASSESSED<br>VALUATION | TAXABLE<br>ASSESSED<br>VALUATION<br>PER CAPITA (2) | G.O. TAX DEBT<br>OUTSTANDING<br>AT END OF<br>YEAR (3) | RATIO OF G.O.<br>TAX DEBT TO<br>TAXABLE<br>ASSESSED<br>VALUATION (2) | G.O. TAX DEBT<br>PER CAPITA (2)(3) |
|----------------|-----------------------------|----------------------------------|--|---|--|------------------------------------|
| 2009           | 31,100                      | \$ 4,019,807,491                 | \$ 129,254   | \$ 14,765,000   | 0.37%  | \$ 475                             |
| 2010           | 28,616                      | 4,128,275,336                    | 144,265  | 27,380,000  | 0.66%  | 957                                |
| 2011           | 28,600                      | 3,769,497,341                    | 131,801  | 24,330,000  | 0.65%  | 851                                |
| 2012           | 28,620                      | 3,631,789,854                    | 126,897  | 21,289,001  | 0.59%  | 744                                |
| 2013           | 28,620                      | 3,688,232,621                    | 128,869  | 19,671,757  | 0.53%  | 687                                |

Notes:

(1) Based on North Central Texas Council of Governments original population estimates with the exception of the current fiscal year, which is a projection and 2010, which is based on the 2010 U.S. Census.

(2) As reported by the Dallas Central Appraisal District on the City's Annual State Property Tax Reports; subject to change during the ensuing year.

(3) Includes self-supporting debt Series 2010 General Obligation Refunding and Improvement Bonds (refunding portion) and Taxable Series 2011 General Obligation Refunding Bonds.

TAX RATE, LEVY, AND COLLECTION HISTORY  
 LAST FIVE FISCAL YEARS  
 (UNAUDITED)

| FISCAL<br>YEAR | TAX<br>RATE | GENERAL<br>FUND | I & S<br>FUND | TOTAL TAX<br>LEVY | % CURRENT<br>COLLECTIONS | % TOTAL<br>COLLECTIONS |
|----------------|-------------|-----------------|---------------|-------------------|--------------------------|------------------------|
| 2008           | \$ 0.4945   | \$ 0.4386       | \$ 0.0559     | \$ 18,593,772     | 99.87%                   | 99.88%                 |
| 2009           | 0.4945      | 0.4423          | 0.0522        | 19,468,027        | 99.00%                   | 99.55%                 |
| 2010           | 0.5195      | 0.4516          | 0.0679        | 21,309,509        | 99.66%                   | 99.50%                 |
| 2011           | 0.5295      | 0.4892          | 0.0403        | 19,703,401        | 98.91%                   | 99.27%                 |
| 2012           | 0.5295      | 0.4873          | 0.0422        | 19,230,327        | 98.29%                   | 98.29%                 |

TEN LARGEST TAXPAYERS  
FISCAL YEAR 2013  
(UNAUDITED)

| TAXPAYER                            | NATURE OF PROPERTY             | TAXABLE<br>VALUE      | PERCENTAGE<br>OF TOTAL<br>CERTIFIED<br>TAXABLE VALUE |
|-------------------------------------|--------------------------------|-----------------------|--|
| 70 Washington Street LP             | Real Estate Investment Company | \$ 94,809,000         | 2.57%  |
| AT&T Communications                 | Telecommunications             | 75,571,140            | 2.05%  |
| Occidental Chemical Corporation     | Chemical Production            | 66,594,290            | 1.81%  |
| EOS Properties at Providence Towers | Real Estate Investment Company | 55,900,000            | 1.52%  |
| TCI Parkwest I Inc                  | Real Estate Developers         | 52,397,550            | 1.42%  |
| Garden Centura LP                   | Real Estate Investment Company | 50,000,000            | 1.36%  |
| Glazers Wholesale Drug Co.          | Spirit and Wine Distribution   | 48,106,450            | 1.30%  |
| Fenton Mercer Crossing Holding Co.  | Real Estate Investment Company | 46,500,000            | 1.26%  |
| Lakeview at Parkside                | Real Estate Developers         | 43,140,060            | 1.17%  |
| Loadstar Inc.                       | Apartments                     | 38,900,000            | 1.05%  |
|                                     |                                | <u>\$ 571,918,490</u> | <u>15.51%</u>  |

Source: Dallas County, "City Report of Property Value," City of Farmers Branch



TAX ADEQUACY  
(UNAUDITED)

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|   |              |
|---|--------------|
| 2013 Principal and Interest Requirements (1)                      | \$ 2,359,677 |
| \$0.0647 Tax Rate at 99% Collection Produces                      | 2,362,424    |
| Average Annual Principal and Interest Requirements, 2013-2030 (1) | \$ 1,535,231 |
| \$0.0421 Tax Rate at 99% Collection Produces                      | 1,537,218    |

## Note:

(1) Includes self-supporting debt Series 2010 General Obligation Refunding and Improvement Bonds (refunding portion) and Taxable Series 2011 General Obligation Refunding Bonds.

CITY OF FARMERS BRANCH, TEXAS

GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS  
(UNAUDITED)

| FISCAL<br>YEAR | GENERAL OBLIGATION BONDS (1) |                     |                      | SPECIAL REVENUE BONDS (2) |                     |                     |
|----------------|------------------------------|---------------------|----------------------|---------------------------|---------------------|---------------------|
|                | PRINCIPAL                    | INTEREST            | TOTAL                | PRINCIPAL                 | INTEREST            | TOTAL               |
| 2013           | \$ 750,546                   | \$ 557,330          | \$ 1,307,876         | \$ 858,076                | \$ 193,725          | \$ 1,051,801        |
| 2014           | 780,546                      | 536,391             | 1,316,937            | 873,076                   | 181,206             | 1,054,282           |
| 2015           | 810,546                      | 510,937             | 1,321,483            | 428,076                   | 171,436             | 599,512             |
| 2016           | 840,546                      | 481,851             | 1,322,397            | 438,076                   | 165,171             | 603,247             |
| 2017           | 875,546                      | 448,117             | 1,323,663            | 443,076                   | 157,357             | 600,433             |
| 2018-2022      | 5,012,730                    | 1,599,862           | 6,612,592            | 2,415,380                 | 611,287             | 3,026,667           |
| 2023-2027      | 3,377,730                    | 483,027             | 3,860,757            | 2,238,081                 | 178,258             | 2,416,339           |
| 2028-2030      | 1,146,970                    | 69,200              | 1,216,170            |                           |                     |                     |
|                | <u>\$ 13,595,160</u>         | <u>\$ 4,686,715</u> | <u>\$ 18,281,875</u> | <u>\$ 7,693,841</u>       | <u>\$ 1,658,440</u> | <u>\$ 9,352,281</u> |

Notes:

(1) "General Obligation Bonds" do not include lease/purchase obligations.

(2) Self-Supporting Debt: Series 2010 General Obligation Refunding and Improvement Bonds (refunding portion) [average life of issue - 2.213 years] and Taxable Series 2011 General Obligation Refunding Bonds [average life of issue - 7.714 years].

TABLE CD-7

| TOTAL DEBT<br>SERVICE<br>REQUIREMENTS |            | % OF<br>PRINCIPAL<br>RETIRED |
|---------------------------------------|------------|------------------------------|
| \$                                    | 2,359,677  | 7.56%                        |
|                                       | 2,371,219  | 15.32%                       |
|                                       | 1,920,995  | 21.14%                       |
|                                       | 1,925,644  | 27.15%                       |
|                                       | 1,924,096  | 33.34%                       |
|                                       | 9,639,259  | 68.23%                       |
|                                       | 6,277,096  | 94.61%                       |
|                                       | 1,216,170  | 100.00%                      |
| \$                                    | 27,634,156 |                              |

INTEREST AND SINKING FUND BUDGET PROJECTION  
(UNAUDITED)

|   |    |           |                   |
|---|----|-----------|-------------------|
| Interest and Sinking Fund, 9/30/12  | \$ | 221,898   |                   |
| Interest and Sinking Fund Tax Levy  |    | 1,357,500 |                   |
| Transfer for Hotel Occupancy Tax Debt Service                                 |    | 450,500   |                   |
| Transfer for Tax and Revenue Debt Service                                     |    | 604,800   |                   |
| Estimated Investment Income   |    |           | \$ 2,634,698      |
| Less: Tax Supported Debt Service Requirements, Fiscal Year Ending 9/30/12 (1) |    |           | 2,359,677         |
| Estimated Balance 9/30/13   |    |           | <u>\$ 275,021</u> |

Note:

(1) Includes Series 2010 General Obligation Refunding and Improvement Bonds (refunding portion) and Taxable Series 2011 General Obligation Refunding Bonds.

COMPUTATION OF SELF-SUPPORTING DEBT  
(UNAUDITED)

|   |     |                     |
|---|-----|---------------------|
| Stars Center Revenues   | (1) | \$ 663,000          |
| Less: Requirements for Taxable Series 2011 General Obligation Refunding Bonds         |     | 603,300             |
| Balance Available for Other Purposes  |     | <u>\$ 59,700</u>    |
| Hotel/Motel Occupancy Tax Revenues  | (2) | \$ 2,100,000        |
| Less: Requirements for Series 2010 General Obligation Refunding and Improvement Bonds |     | 445,500             |
| Balance Available for Other Purposes  |     | <u>\$ 1,654,500</u> |

## Notes:

(1) The Taxable Series 2011 General Obligation Refunding Bonds refunded Taxable Series 2004 Certificates of Obligation. The Taxable Series 2004 Certificates of Obligation were self-supporting general obligation debt based upon amounts received under the terms of a Ground Lease Agreement (the "Lease") between the City and the lessee, the Dallas Stars, L.P. (the "Dallas Stars"), which Lease relates to the community-style recreational ice-skating and conference facility financed in part with the proceeds of the Series 2004 Taxable Certificates. The obligation of the Dallas Stars to make lease payments to the City to support the payment of the bonds is dependent on the satisfaction of certain ongoing requirements in the Lease. The City currently transfers Lease payments to the debt service fund to pay debt service on the bonds and anticipates it will continue to do so. If the City discontinues such transfers, the City will be required to assess an ad valorem tax for the payment of the bonds.

(2) The City's Series 2010 General Obligation Refunding and Improvement Bonds (refunding portion) are secured by a pledge of the ad valorem taxes and receipts from the 7% hotel occupancy tax collected by the City for the promotion of tourism in the City. The City transfers hotel tax revenues to the debt service fund to pay debt service on the refunding portion of this issue and anticipates that it will continue to do so to pay the outstanding balance. If the City discontinues such transfers, the City will be required to assess an ad valorem tax for the payment of the bonds.

HOTEL/MOTEL TAX REVENUE  
LAST TEN FISCAL YEARS  
(UNAUDITED)

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| <u>FISCAL<br/>YEAR</u> | <u>HOTEL/MOTEL<br/>TAX REVENUE</u> | <u>NUMBER<br/>OF ROOMS</u> |
|------------------------|------------------------------------|----------------------------|
| 2003                   | \$ 1,797,279                       | 2,172                      |
| 2004                   | 1,786,530                          | 2,173                      |
| 2005                   | 1,965,693                          | 2,194                      |
| 2006                   | 2,249,499                          | 2,196                      |
| 2007                   | 2,487,792                          | 2,137                      |
| 2008                   | 2,507,434                          | 2,137                      |
| 2009                   | 1,974,308                          | 2,137                      |
| 2010                   | 1,821,619                          | 2,137                      |
| 2011                   | 2,017,818                          | 2,137                      |
| 2012                   | 1,932,530                          | 2,137                      |

HOTEL OCCUPANCY TAXPAYERS  
 SEPTEMBER 30, 2012  
 (UNAUDITED)

| HOTEL                           | NUMBER<br>OF ROOMS | TAXES<br>PAID       | % OF<br>TOTAL  |
|---------------------------------|--------------------|---------------------|----------------|
| Omni @ Park West                | 337                | \$ 612,130          | 31.67%         |
| Sheraton Dallas Galleria        | 310                | 281,446             | 14.56%         |
| Doubletree Hotel Dallas         | 290                | 367,782             | 19.03%         |
| Doubletree Club Hotel           | 160                | 246,119             | 12.74%         |
| Night Hotel                     | 375                | 145,497             | 7.53%          |
| Fairfield Inn                   | 107                | 90,129              | 4.66%          |
| LaQuinta Inn                    | 122                | 63,306              | 3.28%          |
| Days Inn North Dallas           | 72                 | 38,209              | 1.98%          |
| Super 8                         | 50                 | 27,508              | 1.42%          |
| Studio Plus                     | 86                 | 25,245              | 1.31%          |
| Econolodge Dallas Airport North | 120                | 21,880              | 1.13%          |
| America's Best Value Inn        | 103                | 11,902              | 0.62%          |
| Villas at Parkside              | 2                  | 461                 | 0.02%          |
| Lakeview at Parkside            | 1                  | 608                 | 0.03%          |
| Chateau DeVille Apartments      | 2                  | 308                 | 0.02%          |
|                                 | <u>2,137</u>       | <u>\$ 1,932,530</u> | <u>100.00%</u> |

GENERAL FUND REVENUE AND EXPENDITURE HISTORY  
 FISCAL YEARS ENDED SEPTEMBER 30  
 (UNAUDITED)

|   | FISCAL YEARS ENDED SEPTEMBER 30 |               |               |               |               |
|---|---------------------------------|---------------|---------------|---------------|---------------|
|   | 2012                            | 2011          | 2010          | 2009          | 2008          |
| REVENUES                                    |                                 |               |               |               |               |
| Property, sales, and franchise taxes        | \$ 34,153,059                   | \$ 34,728,480 | \$ 33,568,755 | \$ 33,345,154 | \$ 33,608,979 |
| Licenses and permits                        | 1,012,913                       | 886,511       | 559,979       | 485,241       | 769,575       |
| Charges for services                        | 4,624,287                       | 4,780,573     | 4,803,469     | 4,360,812     | 4,483,280     |
| Fines and forfeitures                       | 2,184,699                       | 2,418,042     | 2,509,385     | 2,115,780     | 2,210,036     |
| Investment income                           | 587,856                         | 559,534       | 526,954       | 661,046       | 955,436       |
| Miscellaneous                               | 56,202                          | 63,635        | 63,759        | 78,500        | 215,776       |
| Total revenues                              | 42,619,016                      | 43,436,775    | 42,032,301    | 41,046,533    | 42,243,082    |
| EXPENDITURES                                |                                 |               |               |               |               |
| General government                          | 11,287,146                      | 9,572,919     | 10,020,465    | 9,801,506     | 12,172,038    |
| Public safety                               | 20,609,761                      | 19,899,281    | 19,678,114    | 19,983,636    | 19,059,216    |
| Public works                                | 5,665,710                       | 5,653,112     | 6,383,693     | 6,857,651     | 7,273,294     |
| Culture and recreation                      | 10,526,017                      | 9,894,306     | 10,022,539    | 10,043,451    | 9,963,027     |
| Loss due to decline in market value         | 95,459                          | 48,344        |               |               |               |
| Total expenditures                          | 48,184,093                      | 45,067,962    | 46,104,811    | 46,686,244    | 48,467,575    |
| Deficiency of revenues under expenditures   | (5,565,077)                     | (1,631,187)   | (4,072,510)   | (5,639,711)   | (6,224,493)   |
| OTHER FINANCING SOURCES (USES)              |                                 |               |               |               |               |
| Transfers in                                | 3,949,773                       | 4,157,478     | 4,172,968     | 5,329,790     | 2,921,942     |
| Transfers out                               |                                 |               | (362,800)     |               |               |
| Sale of capital assets/insurance recoveries | 1,569,531                       | 491,084       | 61,517        | 97,485        | 399,024       |
| Total other financing sources               | 5,519,304                       | 4,648,562     | 3,871,685     | 5,427,275     | 3,320,966     |
| Net change in fund balance                  | (45,773)                        | 3,017,375     | (200,825)     | (212,436)     | (2,903,527)   |
| Fund balances--beginning                    | 11,645,599                      | 8,628,224     | 8,829,049     | 9,041,485     | 11,945,012    |
| Fund balances--ending                       | \$ 11,599,826                   | \$ 11,645,599 | \$ 8,628,224  | \$ 8,829,049  | \$ 9,041,485  |



MUNICIPAL SALES TAX HISTORY  
 LAST FIVE FISCAL YEARS  
 (UNAUDITED)

| FISCAL<br>YEAR | TOTAL<br>COLLECTED | % OF<br>AD VALOREM<br>TAX LEVY | EQUIVALENT OF<br>AD VALOREM<br>TAX RATE | PER<br>CAPITA |
|----------------|--------------------|--------------------------------|---|---------------|
| 2008           | \$ 12,458,643      | 65.96%                         | \$ 0.3262                               | \$ 433.34     |
| 2009           | 11,912,047         | 59.93%                         | 0.2963                                  | 383.02        |
| 2010           | 10,890,296         | 50.78%                         | 0.2638                                  | 380.57        |
| 2011           | 11,988,696         | 60.07%                         | 0.3180                                  | 419.19        |
| 2012           | 12,750,809         | 66.31%                         | 0.3511                                  | 445.52        |

The sales tax breakdown for the City is as follows:

|                                  |              |
|----------------------------------|--------------|
| Dallas Area Rapid Transit (DART) | 1.00¢        |
| City Sales and Use Tax           | 1.00¢        |
| State Sales and Use Tax          | 6.25¢        |
| Total                            | <u>8.25¢</u> |

CURRENT INVESTMENTS  
 SEPTEMBER 30, 2012  
 (UNAUDITED)

| DESCRIPTION OF INVESTMENT              | % OF<br>PORTFOLIO | PURCHASE<br>PRICE    | MARKET<br>VALUE      |
|--|-------------------|----------------------|----------------------|
| Federal National Mortgage Association  | 42.46%            | \$ 14,338,784        | \$ 13,992,830        |
| Federal Home Loan Mortgage Corporation | 16.88%            | 5,660,271            | 5,561,837            |
| Federal Home Loan Bank                 | 14.77%            | 4,889,285            | 4,868,347            |
| Municipal Obligations                  | 9.28%             | 3,136,539            | 3,059,798            |
| TexPool                                | 9.02%             | 2,974,045            | 2,974,045            |
| Certificates of Deposit                | 7.59%             | 2,500,000            | 2,500,000            |
|  | <u>100.00%</u>    | <u>\$ 33,498,924</u> | <u>\$ 32,956,857</u> |

HISTORICAL WATER AND WASTEWATER USAGE  
 LAST FIVE FISCAL YEARS  
 (UNAUDITED)

| FISCAL<br>YEAR | WATER USAGE<br>AMOUNT IN GALLONS (000) |             |                | WASTE WATER CONSUMPTION<br>AMOUNT IN GALLONS (000) |
|----------------|--|-------------|----------------|--|
|                | TOTAL<br>CONSUMPTION                   | PEAK<br>DAY | AVERAGE<br>DAY | TOTAL<br>USAGE                                     |
| 2008           | 3,127,749                              | 16,042      | 8,569          | 1,436,358  |
| 2009           | 2,958,699                              | 15,550      | 8,106          | 1,311,979  |
| 2010           | 2,879,109                              | 15,452      | 7,888          | 1,431,042  |
| 2011           | 3,195,188                              | 14,473      | 8,754          | 1,164,875  |
| 2012           | 3,049,124                              | 16,075      | 8,354          | 1,181,322  |

Note: Total consumption represents total gallons of water purchased by the City.

TOP TEN WATER CONSUMERS  
 SEPTEMBER 30, 2012  
 (UNAUDITED)

| CONSUMER                           | TYPE OF INDUSTRY            | 2011-12<br>CONSUMPTION<br>(GALLONS) | % OF<br>TOTAL<br>CONSUMPTION | 2011-12<br>REVENUES | % OF<br>REVENUES |
|------------------------------------|-----------------------------|-------------------------------------|------------------------------|---------------------|------------------|
| Maxim Integrated Products, Inc.    | Semiconductor Manufacturing | 73,052,000                          | 2.4%                         | \$ 295,556          | 3.0%             |
| Parish Day School                  | Education                   | 46,183,000                          | 1.5%                         | 162,248             | 1.6%             |
| Lakeview at Parkside               | Real Estate                 | 44,166,000                          | 1.4%                         | 195,375             | 2.0%             |
| Brookhaven Country Club            | Recreation                  | 40,545,000                          | 1.3%                         | 184,868             | 1.9%             |
| Dallas County Community College    | Education                   | 30,197,000                          | 1.0%                         | 126,273             | 1.3%             |
| Cooks Creek Apartments             | Real Estate                 | 28,057,000                          | 0.9%                         | 117,735             | 1.2%             |
| Ventana at Valwood, MMH Mgmt       | Real Estate                 | 27,700,000                          | 0.9%                         | 109,001             | 1.1%             |
| Daltex Centre LP                   | Real Estate Developers      | 26,227,000                          | 0.9%                         | 106,509             | 1.1%             |
| Fenton Mercer Crossing Holding Co. | Real Estate                 | 24,054,000                          | 0.8%                         | 97,694              | 1.0%             |
| Carrollton/Farmers Branch ISD      | Education                   | 23,220,000                          | 0.8%                         | 97,110              | 1.0%             |

Source: City of Farmers Branch Finance Department

MONTHLY WATER AND SEWER RATES  
 LAST TEN FISCAL YEARS  
 (UNAUDITED)

| FISCAL<br>YEAR | WATER RATES                         |                        |                        |                           | SEWER RATES                         |                      |
|----------------|-------------------------------------|------------------------|------------------------|---------------------------|-------------------------------------|----------------------|
|                | MONTHLY<br>BASE<br>2,000<br>GALLONS | RATE PER 1,000 GALLONS |                        |                           | MONTHLY<br>BASE<br>2,000<br>GALLONS | RATE PER 1,000       |
|                |                                     |                        |                        |                           |                                     | GALLONS              |
|                |                                     | NEXT 8,000<br>GALLONS  | NEXT 10,000<br>GALLONS | OVER<br>20,000<br>GALLONS |                                     | OVER                 |
|                |                                     |                        |                        |                           |                                     | 2,001<br>GALLONS (1) |
| 2003           | \$ 8.38                             | \$ 2.47                | \$ 2.56                | \$ 2.66                   | \$ 8.76                             | \$ 1.18              |
| 2004           | 8.80                                | 2.59                   | 2.56                   | 2.66                      | 9.20                                | 1.24                 |
| 2005           | 9.20                                | 2.71                   | 2.81                   | 2.92                      | 9.61                                | 1.30                 |
| 2006           | 10.44                               | 3.08                   | 3.19                   | 3.31                      | 10.91                               | 1.48                 |
| 2007           | 10.44                               | 2.83                   | 3.19                   | 3.31                      | 10.91                               | 1.48                 |
| 2008           | 10.44                               | 2.83                   | 3.19                   | 3.31                      | 10.91                               | 1.48                 |
| 2009           | 11.69                               | 3.17                   | 3.57                   | 3.71                      | 12.22                               | 1.66                 |
| 2010           | 11.69                               | 3.17                   | 3.57                   | 3.71                      | 12.22                               | 1.66                 |
| 2011           | 11.69                               | 3.17                   | 3.57                   | 3.71                      | 12.22                               | 1.66                 |
| 2012           | 11.69                               | 3.17                   | 3.57                   | 3.71                      | 12.22                               | 1.66                 |

## Notes:

Rates are based on 3/4" and 5/8" meters, which are the standard household meter sizes. The City charges an additional rate for non-standard meter sizes.

(1) Private residents are not charged for sewer beyond 10,000 gallons.

CONDENSED STATEMENT OF WATER AND SEWER SYSTEM OPERATIONS  
 FISCAL YEARS ENDED SEPTEMBER 30  
 (UNAUDITED)

|                                | FISCAL YEARS ENDED SEPTEMBER 30 |               |               |               |               |
|--------------------------------|---------------------------------|---------------|---------------|---------------|---------------|
|                                | 2012                            | 2011          | 2010          | 2009          | 2008          |
| REVENUES                       |                                 |               |               |               |               |
| Charges for services           | \$ 14,042,029                   | \$ 14,734,438 | \$ 13,352,443 | \$ 14,185,971 | \$ 13,539,586 |
| Investment income              | 33,868                          | 55,111        | 62,486        | 248,022       | 428,409       |
| Miscellaneous                  | 17,790                          | 3,134         | 16,207        | 2,780         | 1,805         |
| Total revenues                 | 14,093,687                      | 14,792,683    | 13,431,136    | 14,436,773    | 13,969,800    |
| EXPENDITURES                   |                                 |               |               |               |               |
| Personal services              | 1,720,757                       | 1,716,411     | 1,847,978     | 1,842,389     | 1,771,566     |
| Materials and supplies         | 239,833                         | 231,313       | 215,203       | 250,047       | 217,099       |
| Maintenance and utilities      | 1,005,976                       | 1,154,384     | 1,771,420     | 1,527,874     | 1,082,732     |
| Purchase of water              | 4,500,402                       | 4,372,453     | 4,593,133     | 4,487,328     | 4,230,694     |
| Sewage treatment               | 1,892,943                       | 2,128,074     | 2,068,099     | 1,872,221     | 2,169,091     |
| Total expenditures             | 9,359,911                       | 9,602,635     | 10,495,833    | 9,979,859     | 9,471,182     |
| Net available for debt service | \$ 4,733,776                    | \$ 5,190,048  | \$ 2,935,303  | \$ 4,456,914  | \$ 4,498,618  |
| CUSTOMERS                      | 9,492                           | 9,472         | 9,471         | 9,428         | 9,441         |

## Notes:

The above calculation of amounts available for payment of system debt service excludes non-cash expenses such as depreciation and amortization. Debt service payments are also excluded. Certain non-cash revenue sources, principally investment income, are included.